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Dean Henderson
The University of Montana

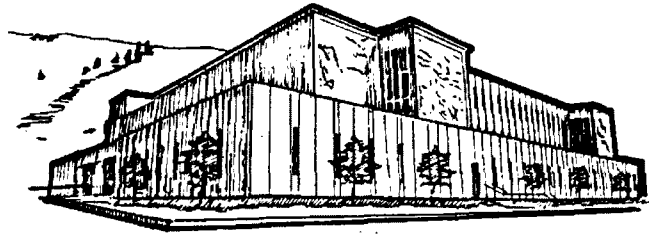
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Montana

A Political Economy of Middle East Oil:
The Gulf Cooperation Council: A Regional Resource Security System
For the Regime of International Capital Accumulation

by
Dean Henderson
B.L.S., University of South Dakota, 1983

Presented in partial fulfillment of the requirements
for the degree of
Master of Science/Environmental Studies
1991

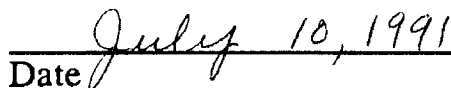
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A Political Economy of Middle East Oil: The Gulf Cooperation Council: A Resource Security State for the Regime of International Capital Accumulation (95 pp.)

Director: Bill Chaloupka 

This study focused on the political economy of oil in the Middle East region, centering on the activities of what I term "the regime of international capital accumulation" (RICA) in relation to the Middle East petroleum industry. More specifically I propose the possibility that the Gulf Cooperation Council (GCC)- which consists of the nations of Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain and Oman- is in fact a "regional resource security system" for RICA.

I coin the phrase "resource security state" and define it using four criteria: 1) optimal manageability of resources via local elites who rule as a dictatorship or monarchy, 2) a willingness on the local regime's part to allow for the cheap extraction of strategic resources, 3) the inclusion of local elites in regional accumulation schemes and 4) a willingness by the local regime to use its own military forces or forces of US military regional allies for counterinsurgency purposes and a maintenance of high-level communications with the US Pentagon either directly or via regional conduits.

The study charts the transformation of the use of resource security states by RICA in protecting resources vital to its prosperity, which in the Middle East culminated in the Iranian Revolution and other revolutionary events of 1979. These events which can be seen as a crisis of capitalism, forced RICA to establish a more comprehensive and manageable regional resource security system manifest in the formation of the GCC which currently serves to safeguard RICA's Middle East oil interests from potential subversion by nationalists.

Research for this study came from a variety of sources, including numerous oil industry journals, alternative and mainstream periodicals, oil company and OPEC Annual Reports, Securities & Exchange Commission documents and numerous books pertaining to the topic.

One major conclusion of the study was that through the establishment of the regional resource security system represented by the GCC, RICA has maintained, and possibly enhanced its position of power in the region while the oil-producing nations of OPEC have remained largely underdeveloped and fragmented as a collective bargaining unit.

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INTRODUCTION

The dependence upon fossil fuel usage in industries ranging from aerospace to petrochemicals to packaging to automobile manufacturing make crude oil, arguably, the world's most prized raw material. This proliferation of fossil fuel usage and its ensuing permeance throughout the dynamically industrializing world economy has put it— more than any other commodity— at the very center of the process of rapid internationalization of capital.

But in the thrust towards an increasingly competitive and more globally interconnected economy, new configurations of capitalist accumulation became necessary. Many European nations, South Korea, Brazil, Taiwan and the Japanese have formed state mega-corporations in order to compete internationally. In the US huge private multinational conglomerates have steadily concentrated their market shares at the expense of smaller non-integrated corporations.

The multinational corporation has become the most useful vehicle in what dependency theorist Richard Barnett has called "management of global resource systems." Mobility, global information systems and vertical as well as horizontal integration of global operations allow them to transcend state regulatory abilities at the expense of both labor and the environment.

Recently, US Secretary of State James Baker proclaimed a new cooperation "running from Vancouver east to Vladivostok." Perestroika and the shift by the East European nations to privatization and market-oriented economies, will bring with it an

increased dominance of the world economy by nations of the North, since Northern financiers and multinationals are positioned much better than their Third World counterparts to supply the ailing infrastructures of the Soviet Union and East Europe with needed technological and capital investments.

In this context it is crucial to critically deconstruct the willingness of multinational corporations and their financiers to include regional resource "managers" in accumulation schemes as a strategy for safeguarding international capital. These Third World capitalists tend to represent old oligarchical families and control local military forces, which serve as a counter-insurgency proxies in the safeguarding of international and local capital interests.

Since its inception in 1960, the Organization of Petroleum Exporting Countries (OPEC) has been a hindrance to capital accumulation in the oil industry. Though its effectiveness in achieving a fair price for oil has--except for a few shining moments--been rather limited, its very existence as a viable producer cartel has served as an example for other Third World commodity producers who must face the same capitalists when offering their respective commodities in the world marketplace.

If oil is the most important of commodities, then OPEC has, arguably, become the most powerful producer cartel. It has, therefore, been necessary for the "regime of international capital accumulation" (RICA) to devise new methods of capital accumulation in the oil industry. My contention is that they have accomplished this largely by including the ruling families of the Gulf Cooperation

Council (GCC) in RICA accumulation schemes. In doing so, RICA has successfully driven a wedge between the banker countries of OPEC (Saudi Arabia, Kuwait, United Arab Emirates, Qatar, and to a lesser degree Bahrain who are all members of the GCC) and OPEC's industrializing nations (Indonesia, Iran, Iraq, Venezuela, Nigeria, Gabon, Libya and Algeria). This fragmentation of OPEC has had the effect of reducing their collective bargaining power vis-a-vis the consumer North nations.

The GCC "banker" OPEC nations of Saudi Arabia, Kuwait, United Arab Emirates, Qatar, and to a lesser degree, Bahrain and Oman have vast reserves, small populations and monarchical governments. Thus their interests are very different from the "industrializing" nations of OPEC, which are characterized by small populations and relatively small crude reserves. If these industrializing nations are to pay back their heavy international debts while at the same time attempting to build their own infrastructure, it is imperative that they get a high price for their dwindling reserves of crude oil.

Using a neo-Marxian analysis, I will attempt to interpret a key feature of the present political economy of Middle Eastern oil by illustrating the role of the ruling families of the GCC as a regional resource (oil) security system for RICA. For decades, RICA has utilized individual resource security states to safeguard strategic resources wherever they occur. But the Iranian Revolution and other destabilizing events of 1979 forced RICA to abandon this single state approach in favor of the establishment of a regional resource security system in the Persian Gulf region for the purpose

of perpetuating the neo-colonial extraction of oil for use as the primary component necessary for capitalist industrialization throughout the world. It is my contention that the formation of the GCC constitutes such an arrangement.

Iran and Saudi Arabia, long the predominant OPEC powers had been integral to the "twin pillars" policy put forth in Nixon's 1969 Guam Doctrine¹. But the unexpected Iranian Revolution forced US foreign policy into a complete embrace of Saudi interests. This combined with the pullout of the British east of the Suez in 1981 necessitated the creation of the Gulf Cooperation Council that same year. Launched at the urging of the US and Saudi Arabia, the Gulf Cooperation Council includes Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain and Oman.

Chapter 1 describes and reviews various conceptualizations of the evolution of RICA, discussing strategies which RICA has employed to maintain its position of power in the Middle Eastern oil industry. Drawing from the research of scholars such as Jeremy Brecher, Richard Barnett, James O'Connor, John Blair, Holly Sklar, Anthony Sampson, James Ridgeway and others, I will review and compare the following RICA strategies: 1) the manipulation of labor, 2) manipulation of production centers, 3) vertical integration (downstream investment in the oil industry) and 4) concentration of wealth. As each of these approaches represent building blocks in understanding the political economy of Middle Eastern oil, they

¹Choudhry, Raj. The Gulf: Scramble for Security. Sreedhar. Dehli. 1983. p.85.

therefore add to, rather than detract from, my ensuing argument.

In Chapter 2, I focus my argument on a specific strategy which RICA has employed to insure continued access to cheap strategic resources: the management of international capital resources via resource security states. I will define the phrase "resource security state" using the following four criteria: 1) the state must be highly manageable--usually accomplished by encouraging a monarchy or dictatorship of elite rule, 2) the state must be willing to allow transnational access to a cheap supply of strategic raw materials, 3) the schema of accumulation must include local capitalists, so as to ensure their loyalty to the regime, and 4) the local military must be willing to carry out counter-insurgency efforts on behalf of local and international capital interests, maintaining ties to the US Pentagon either directly or via US military gendarmes (i.e. Israel, Egypt, Pakistan, Taiwan).

This phenomenon occurs on a global scale wherever countries contain strategic resources which RICA is dependent upon for continued prosperity. I cite both South Africa and Zaire as examples of resource security states.

Chapter 3 presents a case study of Iran from 1951-1978 as a resource security state for RICA in the Persian Gulf region. During this time Iran continually undermined the collective bargaining power of OPEC and capitulated to the needs of RICA. But the 1978-79 Iranian Revolution was only one manifestation of a rising tide of Arab nationalism peaked in 1979, and which represented a grave danger to the survival of the neo-colonialist extraction of oil in

the Persian Gulf region. I will illustrate how this watershed year for of Arab nationalism represented a crisis situation for RICA and necessitated the formation of the Gulf Cooperation Council which was to fill the void which the Shah of Iran had suddenly vacated and which the Saudis themselves could not fill. The formation of the GCC represented an attempt by RICA to establish a more comprehensive regional resource security system for the purpose of safeguarding RICA's oil interests in the Persian Gulf region.

Chapter 4 then applies the definition of resource security state to the transformed regional resource security system which the GCC represents. In defining the Gulf Cooperation Council as a regional resource security system I test the applicability of the four criteria set forth in Chapter 2 to the GCC. A brief history of the region is followed by a look at the monarchies which rule each country. The small population of the region and the resultant import of laborers from developing countries is also discussed as conducive to the manageability of the GCC.

There has been a willingness of the GCC to sell its oil to transnationals cheaply. I will cite various reasons for this willingness, including investments by multinational corporations in the region, the sheer quantity of the GCC reserves and the fear by the sheiks that high priced oil would cause Western nations to switch to the use of alternative fuels. I will also show the entanglement of multinationals within the GCC nations, focusing on ARAMCO (Arabian-American Oil Company) in Saudi Arabia.

Next I will illustrate the inclusion of the GCC elites,

particularly those in Saudi Arabia and the Kuwait, in the accumulation schema of capital derived from oil, citing the billions which these elites have investing in propping up Western banks and corporations, and in financing counter-revolutionary activities on a global scale.

Finally, I will sketch the close ties between the GCC, regional US military gendarmes--primarily Egypt and Pakistan--and the Pentagon itself. I will talk about the arms for oil quid pro quo which the US and Britain have encouraged and discuss specific security arrangements and arms procurement programs that exist between the GCC nations and the Pentagon.

Chapter 5 depicts the Gulf War as a power play by the United States to reassert hegemony militarily, economically and politically in the Gulf region and in the world. When push came to shove the GCC regional resource security system gave way to direct US military intervention. I will put forth two primary explanations for this. First, industries which the US still dominates in the global economy (defense, heavy construction and oil) have benefitted from the war, while the GCC nations, whose ruling families had become formidable players in RICA, incurred incredible financial costs. This effectively allowed the US to correct its huge balance of trade deficit with the GCC, both through the sale of arms prior to the war, the funding of US military costs during the war and the reconstruction efforts now underway. The war also allowed the US to reassert itself vis-avis Japan and Western Europe in the global economy, by pumping up three industries which the US clearly

dominates, while at the same time filling US Treasury coffers with surplus allied "contributions."

Second, by forcing the Arab world to effectively take sides, the Gulf War provided for the identification and subsequent annihilation of radical nationalists throughout the region. Most significantly it has paved the way for the devastation of radical Palestinians, who have long been a thorn in the side of RICA and US hegemony in the region, the latter of which has been most commonly exercised through the state of Israel.

In addition, Iraq, which had historically resisted Western imperialism more than any country in the region, and which was a highly industrialized and powerful regional player capable of mounting a formidable challenge to the RICA's GCC clients, was bombed back to the Stone Age. There is some indication that the vast Rumaila oilfield of southern Iraq, second in size only to the Saudi Arabian Ghawar field and nationalized since 1972, may end up back under the direct control of the international oil companies.

CHAPTER 1

Regime of International Capital Accumulation

"Whoever controls the world's resources, wields the kind of control which the mere occupation of territory cannot match"

-Richard Barnett

"As long as poor countries are dependent on transnationals to reach markets abroad, there is little meaning to their sovereignty over natural resources."

-James Ridgeway

"You've got to understand that for the most part these commodity markets are manipulated. The oil market is not a free market. Oil company officials bribe officials in Saudi Arabia. They only get into the market for a fix."

-George Perk/Oiltrader

"We know more in public about the CIA and the NSA than is known about the internal workings of Standard Oil."

-Ralph Nader during testimony before the US Senate

The regime of international capital accumulation (RICA) can best be defined as a group of financial institutions, corporations and extremely wealthy individuals residing in predominantly Northern nations, but present in many different countries, who utilize existing financial and political power to produce additional capital and retain their respective positions of political and economic power vis-a-vis the world economy.

RICA derives from two central components. The phrase "regime of accumulation" springs from a school of thought known as the regulation school, including writers such as Aglietta (1979), Lipietz (1986) and Boyer (1986). Lipietz defined a mode of regulation as "interiorized rules and social processes of a schema of

reproduction which must function to balance, and thus stabilize, the production of a regime of accumulation."²

The second component of RICA takes into account its international qualities. The increasingly anational nature of multinational corporations and finance caused by such phenomena as increased mobility, state-of-the-art communications capabilities and a general relaxation of trade barriers has led to the rise of a global economy. Thus, while borrowing from the language of the regulationists, it is imperative to reconcile a definition of a somewhat nebulous RICA with the rapidly accelerated process of the internationalization of capital.

My discussion focuses on RICA's role in the political economy of Middle Eastern oil through the establishment of a hierarchy of control exerted through resource security states and, finally, through the formation of the Gulf Cooperation Council (GCC) as a regional resource security system.

But it is first important to discuss four other components of RICA which stand independently, yet serve the function of allowing the reader to more fully comprehend strategies employed by RICA to enhance its position of power. These four strategies include the manipulation of labor, the manipulation of production, downstream investment and concentration of power via both vertical and horizontal integration.

²Barnet, Richard. "A Reporter at Large: The World's Resources", The New Yorker. Parts I-III. p.127.

Labor

A primary component of RICA's control strategy within the oil industry is the manipulation of labor resources. The flow of human resources (i.e. labor) is managed much like any other resource system, as Richard Barnett has argued. The maintenance of a cheap labor force in the oilfields serves to minimize the production costs of RICA and is therefore paramount to its success and subsequent expansion.

On the heels of the Arab oil embargo of 1973, the major oil companies began actively discouraging energy alternatives and moving operations to the Middle East. ARCO and other companies began buying up solar firms, then suppressing government subsidies in order to make solar power appear less cost-effective³. More importantly, the majors began capping still productive wells in Texas and Louisiana. Domestically, 300 billion barrels of oil remains in wells already drilled, 18,000 of which are abandoned each year, most after only one-third of the oil has been pumped. US production of crude is at its lowest level since 1964⁴. Though oil industry spokesmen have said that the US could now increase production by 355,000 barrels/day without even drilling any new wells, the international companies opted to relocate production to primarily the Middle East, a move that, according to the Los Angeles Times, left 300,000 American oil workers out of work⁵.

³Blair, John. The Control of Oil. Pantheon Books. New York. 1976. p.217.

⁴Sampson, Anthony. The Seven Sisters: The Great Oil Companies and the World They Made. Viking Press. New York. 1975. p.109.

⁵"Oil Company is Heart of Confrontation", Los Angeles Times. December 16, 1990. p.C-5.

One of the primary reasons for the oil industry's exodus from the US and subsequent relocation to the Persian Gulf region was the abundance of cheap labor in the Gulf region. In 1981, immediately after the formation of the Gulf Cooperation Council, the six GCC nations of Saudi Arabia, Kuwait, Bahrain, Qatar, Oman and the United Arab Emirates signed a Production Agreement.

This Production Agreement was tantamount to the development of a free trade zone. Because it allowed for a free flow of labor between states, the agreement suppressed the region's labor costs, guaranteeing the ability of RICA to import cheap labor from poor nations both within and outside of the Gulf region. As the Max Planck Institute of West Germany points out, these "free production zones" generally also feature "no right to strike" clauses, tax holidays for Western multinationals, import exemptions on machinery, etc.⁶

In examining the effects of free trade forums such as GATT, the Uruguayan Round and the US-Mexico Free Trade Agreement on labor (manifested through the establishment of Maquiladora sweat shops just south of the US/Mexico border), Jeremy Brecher argues that the only recourse for the global working class to prevent the what he calls a "maquiladorization of the international labor pool" is to strengthen the collective bargaining power of labor unions through international cooperation⁷.

⁶Barnet, Richard. "A Reporter at Large: The World's Resources", The New Yorker. Parts I-III. p.21.

⁷Rothbowman, Sheila. "Post-Fordism", Z Magazine. September 1990. p.32.

In much the same way that California's vegetable farms import Mexican workers to provide cheap labor in their fields, the Gulf States import Asian laborers to provide cheap labor in the oil patch. This importation of labor serves to neutralize potential working class discontent among the domestic Shi'ite populations.

As a commodity, labor is kept underdeveloped and thus cheap. For example, sixty percent of Middle Eastern oil workers are illiterate⁸. Foreign workers are not allowed to join existing labor unions and have little interest in affecting the internal political structure of their host countries. Most simply struggle to make enough money to send back to their home countries.

Mechanization

Mechanization has taken its toll on the importance of the labor resource to RICA in many significant industries. Information on the number of laborers left unemployed by mechanization in the oil industry is scant. Throughout the Middle East, however, the oil industry employs fewer people than does agriculture, as is the case in Saudi Arabia, which earns 90% of its billions in export-revenues from oil⁹. In Venezuela, whose economy is also 90% dependent on oil exports, the oil industry employs only 2% of the people¹⁰.

⁸Hurewitz, J.C. Diplomacy in the Near and Middle East: A Documentary Record: 1914-1956. D. Van Nostrand Company, Inc. Princeton. 1956. p.329.

⁹Kubursi, Atif A. Oil, Industrialization and Development in the Arab Gulf States. Croom Helm. Kent, England. 1984. p.37.

¹⁰"The Road to OPEC: U.S. Relations with Venezuela, 1919-1976. University of Texas Press, Austin. 1982. p.37.

Downstream investment, which in oil industry jargon refers to investment away from the actual well-head, has the effect of proliferating capital intensive manufacturing schemes, which diminish the need for the labor resource. Once a pipeline is constructed, for example, there is less need to hire truck drivers, barge operators or freight handlers to move petroleum products to different locations. And as downstream refining and petrochemical manufacturing processes become more technologically advanced, the need for the labor resource will only further diminish. Even as the need for cheap labor declines with each technological breakthrough, the necessity of a cheap labor force still motivates RICA. While cheap labor is one component in RICA's overall accumulation strategy, it is not the determinant factor. Still, as long as cheap Middle Eastern labor abounds, the major international oil companies are likely to continue to make the region their most significant base of operations. If the political climate in the region becomes intolerable, the companies can shift production back to the US, which still has 9% of the world's known reserves of oil¹¹.

Production

This leads us to a second component of RICA's control strategy--and one closely connected to labor--the manipulation of production. The first attempts by the RICA to control production and limit competition can be traced back to 1928 when Sir John Cadman of British Petroleum invited Walter Teagle of Exxon, Sir Henri Deterding

¹¹Blair, John. The Control of Oil. Pantheon Books. New York. 1976. p.128.

of Shell, and William Mellon of Gulf to his castle at Achnacarry, Scotland¹².

There the four executives agreed to a series of conditions which effectively divided up the world's oil supply and markets. The Achnacarry Agreement became known by oil industry insiders as the "As Is" agreement because it promoted maintaining the status quo by maintaining current market shares, sharing existing facilities and preventing oversupply¹³ (see Appendix I).

A more recent manipulation of production by RICA can be seen in the upsurge in oil imports from non-OPEC nations of late. Last year, Exxon obtained 29% of its US-bound crude from Angola, 16% from Oman and another 16% from Columbia. Shell purchased 19% of its US-bound crude from Mexico and 17% from Yemen. Chevron also bought 26% of its US-bound crude from Mexico. None of these four countries are OPEC members¹⁴ (see Appendix II).

In a recent study the American Petroleum Institute stated that non-OPEC production growth since 1980 has eroded OPEC market influence. At first glance this would appear to be a move away from control of the major sources of oil. But it is advantageous to the oil companies to buy crude from non-OPEC sources when available for two reasons. First, non-OPEC countries have no collective bargaining power. Thus there are straightforward profit

¹²Blair, John. The Control of Oil. Pantheon Books. New York. 1976. p.50.

¹³Blair, John. The Control of Oil. Pantheon Books. New York. 1976. p.54.

¹⁴Caminiti, Susan. "Scorecards on the Oil Giants", Fortune. September 10, 1990. p.45.

motivations driving RICA. Second, by buying outside of OPEC, the RICA symbolically discourages cartel arrangements by producers; not just producers of oil, but producers of any strategic raw material.

Numerous scholars have considered OPEC a cohesive cartel, focusing on OPEC activities as a window through which to view the oil industry. But OPEC is comprised of two very distinctive groups of nations. The nations which make up the GCC are, with the exception of Oman, generally regarded as banker countries, while the remaining members of OPEC represent industrializing countries. This distinction is significant in understanding actions taken by members of OPEC and can be most clearly viewed by monitoring the activities of RICA, since RICA provides a better window through which to view the oil industry.

The 1984 North Sea discoveries by Norway and Great Britain weakened the bargaining power of OPEC's industrializing nations. Though both Norway and Great Britain have become net exporters of crude, they have used their leverage to push prices lower. The primary effect of the North Sea discoveries was to threaten the economies of many of OPEC's industrializing nations--notably Indonesia, Venezuela and Nigeria--with near collapse. These countries, with high populations and mountains of debt owed to western creditors, are dependent upon high crude prices for survival.

Table 1
World Proven Crude Oil Reserves by Country, 1984–1988
(Million Barrels)

	1984	1985	1986	1987	1988	% Change 88/87
NORTH AMERICA	34,418.1	33,472.0	31,728.0	30,120.0	31,320.0	4.0
Canada	5,972.1	5,056.0	4,839.0"	4,820.0"	4,820.0	—
United States	28,446.0	28,416.0	26,889.0"	25,300.0"	26,500.0	4.7
LATIN AMERICA	84,829.8	112,636.5	112,623.3	114,448.7	122,606.5	7.1
Argentina	2,266.0	2,300.0	2,270.0	2,270.0	2,268.0	—0.1
Brazil	1,976.0	2,070.0	2,250.0	2,340.0	2,550.0	9.0
Colombia	624.0	1,224.0	1,290.5	1,590.0	2,028.0	27.5
Ecuador	1,181.1	1,181.1	1,672.3	1,572.7"	1,572.7	—
Mexico	48,600.0	49,300.0	48,000.0	47,000.0	54,110.0	15.1
Venezuela	28,028.0	54,454.0	55,521.0	58,079.0	58,517.0	0.8
Others	2,154.7	2,107.4	1,619.5	1,597.0	1,560.8	—2.3
WESTERN EUROPE	17,123.8	19,358.1	18,510.8	22,606.3	17,876.6	—20.9
Denmark	400.0	465.0	440.0	440.0	861.0	95.7
Italy	800.0	740.0	721.8	739.0	739.0	—
Norway	8,300.0	10,900.0	10,500.0	14,800.0	10,435.0	—29.5
United Kingdom	6,015.0	5,662.5	5,310.0	5,137.5	4,275.0	—16.8
Others	1,608.8	1,590.6	1,539.0	1,488.8"	1,566.6	5.2
MIDDLE EAST	430,399.8	431,640.7	536,837.7	667,028.3	665,292.8	15.6
I.R. Iran	58,874.0	59,000.0	92,860.0	92,860.0	92,860.0	—
Iraq	65,000.0	65,000.0	72,000.0	100,000.0	100,000.0	—
Kuwait	92,710.0	92,464.0	94,522.1	94,525.0	94,525.0	—
Oman	3,495.0	4,000.0	4,032.0	4,012.0	4,071.2	1.5
Qatar	4,500.0	4,500.0	4,500.0	4,500.0	4,500.0	—
Saudi Arabia	171,710.0	171,490.0	169,179.9	189,585.0	254,989.0	50.4
Syrian Arab Republic	1,450.0	1,541.0	1,400.0	1,750.0	1,730.0	—1.1
United Arab Emirates	32,490.0	32,990.0	97,203.0	98,105.0	98,105.0	—
Others	170.8	655.7	1,140.7	1,891.3	4,512.6	166.8
AFRICA	55,434.2	56,891.6	56,782.1	57,137.7	58,576.8	2.5
Algeria	9,000.0	8,820.0	8,800.0	8,500.0	9,200.0	8.2
Egypt	3,200.0	3,850.0	3,600.0	4,300.0	4,300.0	—
Gabon	518.1	677.5	733.0	733.0	733.0	—
S.P. Libyan A.J.	21,100.0	21,300.0	22,800.0	22,800.0	22,800.0	—
Nigeria	16,650.0	16,800.0	16,000.0	15,980.0	16,000.0	0.1
Tunisia	1,514.0	1,800.0	1,800.0	1,800.0	1,790.0	—0.6
Others	3,452.1"	3,844.1"	3,049.1"	3,024.7"	3,753.8	24.1
ASIA AND FAR EAST	16,871.7	17,238.3	17,848.7	18,102.6	20,631.8	12.5
Brunei	1,400.0	1,480.0	1,420.9	1,420.9	1,400.0	—1.5
India	3,500.0	3,735.0	4,202.8	4,250.0	6,354.2	49.5
Indonesia	8,650.0	8,500.0	9,000.0	9,000.0	9,000.0	—
Malaysia	2,900.0	3,100.0	2,820.5	2,900.0	2,922.0	0.8
Others	421.7	423.3	404.5	531.7	685.4	28.9
OCEANIA	1,685.8	1,826.0	1,879.8	1,862.0	1,855.8	0.2
Australia	1,430.9	1,449.0	1,712.8	1,692.0	1,673.1	—1.1
Others	155.0	176.0	167.0	180.0	182.7	14.2
CPEs	100,960.0	82,805.0	80,700.0	78,980.0	83,680.0	5.8
China	18,200.0	18,420.0	18,400.0	18,400.0	23,550.0	28.0
USSR	81,000.0	62,685.0	60,700.0	59,000.0	58,500.0	—0.8
Others	1,760.0	1,700.0	1,600.0	1,580.0"	1,530.0	—3.2
TOTAL WORLD	741,823.3	755,667.2	856,910.4	890,274.6	891,470.1	11.4
TOTAL OPEC	510,411.2	536,976.8	644,791.3	676,239.7	762,801.7	12.8
OPEC Percentage	68.8	71.1	75.2	76.0	76.9	
TOTAL WORLD EXCL. CPEs	640,663.3	672,662.2	776,210.4	811,284.6	807,890.1	11.9
OPEC Percentage	79.7	79.8	83.1	83.4	84.0	

Notes: As at December 31 of the corresponding year. Figures, when added up, may not correspond to totals, due to individual rounding off.

Sources: • Oil and Gas Journal. • National Sources. • World Oil. • Middle East Economic Survey. • Petroleum Intelligence Weekly. • The Economist Intelligence Unit. • Arab Oil and Gas.

Table 2
World Crude Oil Exports¹⁾ by Country, 1984–1988
 (Thousand Barrels per Day)

	1984	1985	1986	1987	1988	% Change 88/87
NORTH AMERICA	837.7	691.8	740.2	774.9	868.6*	12.1
of which:						
Canada	356.7	487.7	585.9	621.5	709.5*	14.2
United States	181.0	204.1	154.3	153.4	159.0*	3.7
LATIN AMERICA	2,820.9	2,590.4	2,626.6	2,731.4	2,729.1*	-0.1
of which:						
Colombia	—	—	85.7	142.0	146.0*	2.8
Ecuador	147.1	168.8	173.5*	105.3*	149.8	42.3
Trinidad and Tobago	84.5	93.1	87.1	75.2	73.8*	-1.9
Venezuela	998.9	825.9	948.7	1,028.3	1,011.0*	-1.5
WESTERN EUROPE	2,201.1	2,320.0	2,497.0	2,559.1	2,484.6*	-2.9
of which:						
Norway	614.4	662.6	740.9	874.0	895.5*	13.9
United Kingdom	1,544.6	1,589.7	1,669.9	1,603.9	1,408.6*	-12.3
MIDDLE EAST	8,122.9	7,073.6	8,881.0	8,538.6	10,282.8*	20.4
of which:						
I.R. Iran	1,521.8*	1,568.3*	1,454.0*	1,710.0*	1,696.0*	-0.8
Iraq	867.0	1,085.4*	1,393.5*	1,717.0*	2,096.0*	22.0
Kuwait	658.0	475.9	756.0*	607.0*	698.0*	15.0
Oman	369.0	451.0	513.7	540.0	550.0*	1.9
Oster	386.2	280.0	307.0*	254.0*	304.0*	19.7
Saudi Arabia	3,186.9	2,150.7	3,265.8	2,418.5	3,354.8*	38.8
Syrian Arab Republic	97.3	84.5	59.0	44.1	80.0*	81.4
United Arab Emirates	1,036.7*	977.7*	1,132.0*	1,250.0*	1,345.0*	7.6
AFRICA	3,263.6	3,582.1	3,582.1	3,283.1	3,477.1*	5.9
of which:						
Algeria	181.6	175.3*	167.6*	165.0*	168.0*	1.8
Angola	174.8	201.1	251.9	315.9	417.0*	32.0
Cameroon	99.6	132.0	131.3	127.8	126.0*	-2.2
Congo	112.1	105.1	113.1	110.6	123.0*	11.2
Egypt	418.2	465.7	363.9	444.7	405.0*	-8.9
Gabon	139.2	163.5	150.1	138.4	145.6	5.2
S.P. Libyan A.J.	829.6	894.6*	1,067.0*	810.0*	890.0*	9.9
Nigeria	1,094.1	1,333.3	1,221.2	1,065.2	1,110.5*	4.3
ASIA AND FAR EAST	1,620.2	1,249.2	1,346.0	1,226.8	1,186.9*	-3.3
of which:						
Brunei	151.6	148.0	143.9	136.8	134.0*	-2.0
Indonesia	876.3	705.7	793.8	701.0	609.2*	-13.1
Malaysia	345.7	351.4	405.5	387.0	426.7*	10.3
OCEANIA	17.8	99.7	80.3	84.1	88.2*	-6.3
of which:						
Australia	17.8	93.0	85.3	83.0	85.2*	-8.4
CPEs	3,011.3	2,770.6	3,197.4	3,338.3	3,648.6*	9.3
of which:						
China (P.R. of)	446.5	601.7	571.0	545.5	541.0*	-0.8
USSR	2,521.6	2,152.0	2,608.9	2,749.7	3,057.5*	11.2
TOTAL WORLD	21,496.6	20,377.3	22,969.6	22,646.3	24,784.7*	9.8
OPEC	12,023.4	10,805.1	12,830.2	11,965.7	13,576.9*	13.5
OPEC Percentage	55.9	53.0	55.9	53.1	54.8	3.2
TOTAL WORLD EXCL. CPEs	18,484.2	17,606.7	19,762.1	19,208.0	21,116.2*	9.9
OPEC Percentage	85.0	61.4	64.9	62.3	64.3	3.2

¹⁾ Including re-exports.

Sources: • Direct communications to the Secretariat. • United Nations, Energy Statistics Yearbook. • National Sources.
 • OECD, Quarterly Oil and Gas Statistics. • BP, Statistical Review.

OPEC remains predominant in supplying crude to the world. But through the establishment of the GCC RICA has successfully driven a wedge between OPEC's industrializing and banker nations. Since the industrializing nations also tend to be "price hawks," the major oil companies prefer to deal with the banker nations of the GCC whose elite leaders are, in fact, part of RICA.

In 1972 OPEC countries produced 84.8% of all oil outside the US, the USSR, Eastern Europe and China. But that figure is in decline and much of OPEC's production which RICA obtains these days is from Saudi Arabia, Kuwait and the United Arab Emirates. Today OPEC still supplies 60.9% of US imported oil. In 1989 18% of that came from the Saudis¹⁵.

The GCC shoreline of the Persian Gulf is also ideal topographically for cheap local transport and loading of crude onto tankers. The large Burgan oil field in Kuwait, for example, is five miles from the Gulf. Oil flows by pipeline to storage tanks at Al Ahmadi, which sits atop a ridge. From there the oil simply allows gravity to load it into awaiting tankers at the terminal¹⁶. In 1978 the cost of pumping and transporting a barrel of Persian Gulf crude was less than \$.01 according to Richard Barnet¹⁷.

Manipulation of production sites is inextricably intertwined with the availability of plentiful cheap labor. But while the

¹⁵Tokar, Brian. "Energy Blues and Oil", Z Magazine. January 1991. p.14.

¹⁶Kubursi, Atif A. Oil, Industrialization and Development in the Arab Gulf States. Croom Helm. Kent, England. 1984. p.24.

¹⁷Barnet, Richard. "A Reporter at Large: The World's Resources", The New Yorker. Parts I-III. p.26.

extraction of oil from the ground is still a significant component in RICA's schema of accumulation in the oil industry, it is less significant than what happens to the crude once it has been extracted.

Downstream Investment

Within a system of market-oriented capital investment, control over production of any raw material is less important than control over processing, shipping and marketing of that material as a consumer item. Therefore, in the context of a globally-interconnected market economy, who actually produces crude oil is a less significant question than who refines it, ships it and markets it.

Due to the increasingly technical knowledge required to perform refining processes and the necessity of oil in many of the world's major industries, the transformation of crude oil into industrial and consumer products ranging from plastics to petrochemicals to pharmaceuticals to jet fuel has become increasingly lucrative.

The pervasiveness of oil throughout the world economy, deems it in the best interest of RICA to exert downward pressure on oil prices so that it crude can be obtained cheaply to be used in other production schemes. In other words, the attractiveness of high oil prices is offset by the cost demand which high oil prices place on other industrial activities more completely controlled by RICA. This is especially true in light of the wave of nationalizations which have occurred in the past three decades leaving much of world's oil

production in the hands of Third World governments and not under RICA control.

John D. Rockefeller himself did not control crude reserves. Instead he invested heavily in refining and transportation. By 1879 Standard Oil controlled the shipping and refining of 90% of US oil. Rockefeller accomplished this by running many wildcatters out of business. Though the wildcatters had staked claims to oil wells and therefore controlled production, they had neither the access to markets, the means to transport their crude or the knowledge of refining processes required to compete with Standard¹⁸.

Today, the Rockefeller family fortune is not invested as much in crude oil as it is in automobiles, aerospace and petrochemicals. During the 1980s, David Rockefeller himself invested \$35 billion into Singapore, which has become a major refining and off-shore banking center¹⁹.

The major international oil companies are thus the largest refiners and marketers of crude. Royal Dutch/Shell is the leading marketer and refiner and is the source of one in ten barrels of refined product today. Seventy-seven percent of the company's profits come from petrochemicals and 1988 was a record year. Shell is now investing in the first Middle Distillate Synthesis Plant to convert LNG to high-grade liquid products. They plan to build three

¹⁸Sampson, Anthony. The Seven Sisters: The Great Oil Companies and the World They Made. Viking Press. New York. 1975. p.309.

¹⁹Bratton, Christine & Doug Henwood. "Meet the New World Order", Left Business Observer. January 26, 1991. #43. p.6.

plants by 1996, one each in Malaysia, Nigeria and Norway²².

In the first quarter of 1991, Exxon made \$2.4 billion in profit, the highest single quarter profit since John D. Rockefeller founded Standard Oil of New Jersey (Exxon's predecessor) back in 1882. Over 60% of that figure represented profits on downstream investment²³. Exxon recently purchased Allied Signal's plastics division and entered into joint ventures with both Dow and Monsanto in the thermoplastic elastomer business. The company has also launched a major push to establish petrochemical markets in Thailand, Malaysia and Singapore²⁴.

The Seven Sisters (BP, Shell, Exxon, Mobil, Chevron, Texaco and Amoco) are the top seven gas retailers in the US and still own every major pipeline in the world²⁵. They also own the majority of the tankers. Shell recently announced it would buy seven more LNG tankers, making it far and away the leader in oil industry transport with a total of 415 tankers owned or managed²⁶.

As major oil companies continue to shift investment downstream, their interests tend to diverge somewhat from their OPEC clients' interests. It is optimal for RICA to obtain a high

²²"Arabian Might", The Economist. December 24, 1988. p.79

²³"Exxon, Mobil, Amoco, Conoco and Hess Report Whopping Earnings", National Petroleum News. June 1991. p.8.

²⁴"Saudis Embark on All Points Downstream Strategy", Petroleum Intelligence Weekly. December 24, 1990. p.1.

²⁵Caminiti, Susan. "Scorecards on the Oil Giants", Fortune. September 10, 1990. p.8.

²⁶Ridgeway, James. The Last Play: The Struggle to Monopolize the World's Energy Resources. E.P. Dutton & Co. New York. 1973. p.279.

volume of low-priced oil.

Service Contracts

Where once the major international oil companies acquired concessions of actual oil fields, they have increasingly moved into the role of service contractors for local producer governments. This type of economic relationship has proven more lucrative for RICA and also much more stable. In this role, RICA does not have to worry about nationalist expropriations and thus assumes much less risk. And by concentrating their investments downstream, they are able to devise increasingly technical processes and better marketing techniques which the producer governments become dependent upon to sell the finished products which their crude is used for. As oil economist M.A. Adelman states, "The contract system serves the MNC's because state-owned oil companies will compete for market shares. It eliminates tax liabilities and risk, leaving only the "bare cost" for crude."²⁰

The major international oil companies were the first to become vertically integrated--controlling each stage of the production-to-consumption process. In the oil industry this occurs primarily away from the actual wellhead--or downstream. As a result, oil producing nations have become dependent upon selling their crude to the majors, whose brokerage capabilities far exceed those of the independent oil companies. NIOC (National Iranian Oil Corporation),

²⁰"Saudis Embark on All Points Downstream Strategy", Petroleum Intelligence Weekly, December 24, 1990. p.1.

Table 3

World Refinery Capacity by Country, 1984–1988
(Thousand Barrels per Calendar Day)

	1984	1985	1986	1987	1988	% Change 88/87
NORTH AMERICA	17,689.3	17,382.7	17,325.2	17,784.3	17,777.9	—
Canada	1,868.5	1,855.8	1,759.7	1,868.9	1,855.8	-0.7
United States	15,720.8	15,526.9	15,565.5	15,915.4"	15,922.0	—
LATIN AMERICA	7,286.5	7,221.4	7,030.5	7,213.9	7,163.1	-0.8
Argentina	678.4	667.2	669.8	689.5	690.4	0.1
Brazil	1,305.1	1,305.1	1,321.1	1,407.3	1,407.3	—
Colombia	211.0	211.0	226.0	226.0	227.4	0.6
Ecuador	94.6	94.6	94.6	133.0"	133.0	—
Mexico	1,269.0	1,269.0	1,349.0	1,354.0	1,354.0	—
Netherlands Antilles	320.0	320.0	320.0	320.0	320.0	—
Puerto Rico	121.0	123.0	123.0	121.0"	123.0	1.7
Trinidad and Tobago	320.0	260.0	300.0	300.0	300.0	—
Venezuela	1,224.2	1,229.2	1,224.2	1,258.1"	1,201.1	-4.5
US Virgin Islands	545.0	545.0	545.0	545.0	545.0	—
Others	1,198.2	1,197.3	857.8	860.0"	851.9	-0.9
WESTERN EUROPE	16,285.9	14,833.6	14,411.8	14,735.2	14,467.8	-1.8
Belgium	692.5	652.1	647.5	630.5	630.5	—
France	2,388.0	1,946.9	1,834.1	1,940.6	1,876.0	-3.3
Germany F.R.	2,171.8	1,932.8	1,719.8	1,647.8	1,518.2	-7.9
Italy	2,969.3	2,738.1	2,678.7	2,563.1	2,450.2	-4.4
Netherlands	1,498.5	1,468.4	1,400.8	1,381.0	1,380.7	—
Spain	1,493.0	1,367.0	1,305.0	1,305.0	1,285.0	-1.5
United Kingdom	2,007.7	1,791.7	1,779.7	1,802.7	1,803.1	—
Others	3,067.3	2,936.7	3,046.3	3,464.5	3,524.1	1.7
MIDDLE EAST	4,026.4	4,259.9	4,333.4	4,418.2	4,417.7	—
I.R. Iran	615.0	615.0	615.0	615.0	615.0	—
Iraq	365.5	365.5	365.5	365.5	365.5	—
Kuwait	614.0	614.0	614.0"	670.0"	670.0	—
Qatar	63.0	63.0	63.0	63.0	63.0	—
Saudi Arabia	1,190.0	1,440.0	1,490.0	1,490.0	1,490.0	—
United Arab Emirates	162.0	162.0	162.0	162.0	162.0	—
Others	1,016.9	1,000.4	1,023.9	1,052.7	1,052.2	-0.1
AFRICA	2,466.4	2,821.7	2,840.7	2,859.9	2,864.1	-0.2
Algeria	471.2	471.2	471.2	471.2	471.2	—
Egypt	389.3	434.2	452.1	452.1	489.2	8.2
Gabon	44.0	21.0	21.0	21.0	21.0	—
S.P. Libyan A.J.	315.0	333.0	342.0	342.0	342.0	—
Nigeria	234.0	234.0	243.0	265.5"	265.5	—
Others	1,022.9	1,028.4	1,011.4	1,108.0	1,085.2	-3.9
ASIA AND FAR EAST	9,574.1	9,646.8	9,660.5	9,473.9	9,318.1	-1.6
India	704.8	866.7	991.1	1,058.7	1,051.4	-0.7
Indonesia	837.0	837.0	738.7	738.7	738.7	—
Japan	4,724.0	4,724.0	4,618.5	4,460.8	4,324.0	-3.1
Korea (Rep. of)	778.0	782.0	862.0	820.0	880.0	7.3
Singapore	1,081.0	1,027.0	970.0	858.0	852.0	-0.7
Taiwan	542.5	542.5	542.5	600.0	570.0	-5.0
Others	908.9	867.7	937.7	937.7	901.9	-3.8
OCEANIA	783.8	719.5	724.0	762.7	776.4	1.8
Australia	696.9	622.6	626.1	637.1	644.1	1.1
Others	96.9	96.9	97.9"	125.6"	132.3	5.3
CPEs	16,600.5	16,600.5	17,010.5	16,989.0	17,029.0	0.2
China	2,050.0	2,050.0	2,200.0	2,200.0	2,200.0	—
USSR	12,000.0	12,000.0	12,260.0	12,260.0	12,300.0	0.3
Others	2,550.5	2,550.5	2,550.5	2,529.0	2,529.0	—
TOTAL WORLD	74,812.8	73,186.0	73,038.6	74,037.1	73,693.9	-0.4
OPEC	6,229.5	6,479.5	6,444.2	6,595.0	6,538.0	-0.9

Notes: As at December 31 of the corresponding year. Some figures were converted from barrels per stream day. Figures, when added up, may not correspond to totals, due to individual rounding off.

Sources: • Hydrocarbon Processing. • Oil and Gas Journal. • Middle East Economic Survey. • Arab Oil and Gas. • National Sources. • Petroleum Intelligence Weekly. • The Economist Intelligence Unit.

for example, still sells 40% of its crude to former Iranian Consortium members (Exxon, Mobil, Royal Dutch/Shell, British Petroleum, Texaco, Chevron and Compaigne de Petroles Francaise)⁶⁶.

The majors discourage direct producer/consumer negotiations, since their role is primarily to serve as the intermediary. For example, Sonatrach (the Algerian state oil company) doesn't own any service stations, and thus never sells their crude direct to the consumer.

The oil producing nations themselves have not attained the technological expertise or invested in building the infrastructure necessary to make significant downstream investments. In 1988 US-based refineries had a collective capacity of 16 million barrels/day, while refineries in Saudi Arabia could only run a total of 1.5 million barrels/day and all Middle East refineries combined could only process 4.4 million barrels/day⁶⁷.

Aside from ARAMCO's Ras Tanura refinery, the Saudi refining industry consists predominantly of government joint ventures with the majors. The two large Red Sea refineries at Yanbu and Jubail are joint ventures between Saudi Basic Industries and Mobil and Royal Dutch/Shell respectively. As of 1980, out of 900 existing refineries in the world, only 13 were located in the Gulf States⁶⁸.

Even in Venezuela, the one OPEC nation which has acquired

⁶⁶Kubursi, Atif A. Oil, Industrialization and Development in the Arab Gulf States. Croom Helm. Kent, England. 1984. p.62.

⁶⁷OPEC Annual Report. General Secretariat. Vienna, Austria. 1989. p.69.

⁶⁸Kubursi, Atif A. Oil, Industrialization and Development in the Arab Gulf States. Croom Helm. Kent, England. 1984. p.46.

some technical expertise, PDVSA (Petroleos de Venezuela S.A. is the state-owned Venezuelan oil company) oil still flows through a Mobil pipeline to refineries on Aruba and Curacao owned by Royal Dutch/Shell. Crude from Nigeria comes to those same Shell refineries via British Petroleum pipelines in Nigeria constructed by MW Kellogg and tankers chartered by Chevron²⁹.

Some OPEC nations have recently launched attempts to invest downstream. Since the early 1980s two state-owned oil companies--PDVSA and Kuwait Petroleum Company--have purchased foreign refineries and service stations. Kuwait now operates 4,500 gas stations in Europe. PDVSA recently completed its purchase of Southland Corporation's CITGO refinery in Chicago³⁰. The Saudis recently announced an "all points downstream" strategy after completing a deal to refine crude in South Korea³¹. And Qatar has made entered some petrochemical ventures in the Third World. But these ventures usually involve extensive contracting to the Western multinationals.

By and large G-7 (the Group of Seven industrialized nations: United States, Great Britain, France, Japan, Canada, Italy and West Germany) has been very reluctant to complete deals of this nature. Though on the surface it would appear to make sense to move refining facilities to the Third World because of cheaper production

²⁹Mikesell, Raymond F. Foreign Investment in the Petroleum and Mineral Industries. The John's Hopkins Press. Baltimore. 1971. p.15.

³⁰"Arabian Might", The Economist. December 24, 1988. p.79

³¹"Saudis Embark on All Points Downstream Strategy", Petroleum Intelligence Weekly. December 24, 1990. p.1.

costs, the multinationals fear expropriation and a loss of markets should Third World countries learn to build and run their own refineries. A more common arrangement involves limited technology transfer. Saudi Basic Industries, for example, uses Union Carbide and MW Kellogg technologies in many of its own petrochemical plants.

Continued downstream investment by RICA and a lack of technological transfer from the industrialized nations to the oil-producing nations of OPEC, have resulted in a consolidation of RICA's power within the oil industry. This consolidation has been enhanced by manipulations of labor and production sites, resulting in a staggering concentration of power in the industry today.

Concentration

The success of RICA at manipulating both labor and production sites, as well as its success at investing its wealth into technologically superior forms of oil processing, shipping and marketing infrastructure is illustrated by the fact that the same multinational corporations which controlled the world's oil trade in the 1920s, stand at the apex of the world energy industry today.

In 1981 Western multinationals controlled 82% of the world oil sales and 56% of production. The Seven Sisters (Exxon, Royal Dutch/Shell, British Petroleum, Chevron, Mobil, Texaco and Gulf) controlled 40% and 37% respectively³². In 1984 Gulf merged with Chevron, but Amoco, formerly Standard Oil of Indiana, has emerged as

³²Ahrari, Mohammed E. OPEC: The Falling Giant. University of Kentucky Press. Lexington. 1986. p.38.

^a formidable replacement for Gulf as a Seventh Sister.

There is a direct correlation between downstream investment and concentration of economic power in the oil industry. The two companies which are most integrated--Exxon and Royal Dutch/Shell--remain far and away the most powerful of the Sisters(see Appendix IV). In the US Exxon, Mobil, Chevron and Amoco (four successors of the Standard Oil Trust, which was officially dissolved in 1911) still control 32% of domestic refining and 26.3% of retail gasoline sales in the US²³. ARCO, CONOCO and SOHIO--the predominant "independent" companies--are also Standard Trust off-shoots.

The internationalization of capital has produced international trusts such as ARAMCO (Arabian American Oil Company). Though most scholars follow the assumption that ARAMCO has been fully nationalized, Exxon's 1990 10K Report to the Securities and Exchange Commission listed ARAMCO as 28.33% owned by an Exxon subsidiary--Exxon Overseas Corporation²⁴.

Joint ventures are commonplace among the majors and serve to limit competition from independents. Caltex (which markets petroleum products in 58 countries), Amoseas and Calasiatic/ Topco are all 50-50 joint ventures between Chevron and Texaco. Shell and Mobil conduct joint ventures in Nigeria. Exxon and Mobil are joint owners of PT Stanvac Indonesia. And in the United Arab Emirates

²³Blair, John. The Control of Oil. Pantheon Books. New York. 1976. p.148.

²⁴Securities and Exchange Commission Document: Exxon Corporation 1990 10K Filing.

Acquisitions of Large Refining Companies ¹ by Major Oil Companies, 1960-70 (millions of dollars)				
Acquiring Company	Assets ²	Acquired Company	Assets	Year
<i>TOP 8</i>				
Exxon	\$9,894.7	Monterey	\$ 102.2	1960
SoCal	2,782.3	Standard (Ky.)	141.9	1961
Exxon	2,925.7	Honolulu Oil	99.2	1961
ARCO	2,450.9	Sinclair	1,851.3	1969
<i>OTHER MAJORS</i>				
Marathon	469.9	Plymouth	80.8	1962
Union	916.5	Pure	766.1	1965
Atlantic	960.4	Richfield	499.6	1966
Sun	1,598.5	Sunray (DX)	749.0	1968
Total			4,290.1	

¹ Assets in excess of \$50 million.
² At time of acquisition.

Table 4

Company	Chartered		Owned		Total	
	No. of vessels	Thousand dwt	No. of vessels	Thousand dwt	No. of vessels	Thousand dwt
BP	33	7,348	16	3,696	49	11,044
Esso	21	5,172	32	7,733	53	12,905
Gulf	17	4,769	9	2,543	26	7,313
Mobil	7	1,543	5	1,055	12	2,599
Shell	42	9,774	29	6,461	71	16,235
Socal	2	443	16	3,861	18	4,304
Texaco	13	2,932	14	3,322	27	6,253
Sub-total	135	31,981	121	28,671	256	60,653

SOURCE: Petroleum Press Service, December, 1969.

Table 5

BP, Shell, Exxon & Mobil jointly operate as ADCO³⁵.

Mergers have also taken their toll on independents, occurring at an accelerated rate from the early 60s until 1988, which was a record year for mergers. Eight of the top 25 oil companies of 1960 had merged by 1970. During the 1980s, Texaco bought out Getty Oil, Mobil purchased Superior Oil Co., British Petroleum scooped up Britoil and SOHIO and ARCO bought Sinclair³⁶.

The 1984 North Sea boom consolidated the position of the majors, especially that of Exxon and Shell, who bid for the prime concessions as a joint venture in 1981 and won. And "perestroika" in the Soviet Union and Eastern Europe has also been kindest to the majors. Mobil has formed a joint venture with Afor--the Hungarian state oil company--and has recently announced plans for a joint exploration venture with the Soviet Union off-shore Vietnam. Chevron and Exxon have also recently discussed Soviet joint ventures³⁷.

Horizontal Integration

But the concentration of power exerted by the Seven Sisters has not been limited to the crude oil industry. These companies have invested heavily in a range of different energy sources becoming "horizontally integrated" within the energy industry.

Horizontal integration gives RICA an added insurance policy,

³⁵OPEC Annual Report. General Secretariat. Vienna, Austria. 1989. p.63.

³⁶Bratton, Christine & Doug Henwood. "Saving Kuwait", Left Business Observer. February 28, 1991. #44. p.18.

³⁷Sampson, Anthony. The Seven Sisters: The Great Oil Companies and the World They Made. Viking Press. New York. 1975. p.181.

ensuring GCC willingness to sell off their huge reserves cheaply, since if they raise the price of crude too much, the oil companies can merely switch fuels. The recent "opening" of Eastern Europe and the Soviet Union to Western energy exploitation puts additional downward pressure on GCC oil prices, since these two regions contain 38% of the world's natural gas reserves. And due to flailing economies, they are likely to sell their natural gas very cheaply.

Horizontal integration also serves to keep more expensive, but cleaner fuels off the market. During the 1970s oil companies invested \$2.4 billion in uranium exploration³⁶. Today they control more than one half of all uranium reserves. Chevron and Shell even have joined forces in building nuclear reactors³⁷.

Seven of the largest 15 coal producers are also oil companies. Shell and Exxon, the two largest oil companies, are actually investing upstream in coal and natural gas reserves. Exxon is the top coal-producer in the US and has the second biggest coal reserves after Burlington Resources³⁸. In Columbia, the majors control all non-renewable natural resources⁴¹. The oil companies are also making extensive inter-industry investments, primarily in

³⁶Barnet, Richard & Ronald Muller. Global Reach: The Power of the Multinational Corporation. Simon & Schuster. New York. 1974. p.169.

³⁷Engler, Robert. The Brotherhood of Oil. University of Chicago Press. Chicago. 1977. p.40.

³⁸Ridgeway, James. Who Owns the Earth. MacMillan Publishing. New York. 1980. p.72.

⁴¹"Cartel Politics in Columbia: An Interview with Pedro Galinda (General Secretary of the Federation of Petroleum Workers)", Multinational Monitor. December 1990. p.8.

the mining industry (see Appendix V).

As the world's economy becomes increasingly integrated, the pattern of concentration which has resulted in the rise of a handful of mega-corporations within nearly every major industry will only accelerate. Large, integrated corporations will grow larger, swallowing up their smaller non-integrated competitors who will not be able to compete in an internationalized marketplace which requires state-of-the-art communications capabilities, a great degree of mobility and brokerage capabilities only possible through large infusions of capital.

In summation, the regime of international capital accumulation has operated successfully within the oil industry by employing a wide range of strategies to retain its economic and political power. By importing politically disempowered labor into the GCC region and by centering production in the Gulf States, RICA has fragmented the nations of OPEC into countries of "haves" and "have-nots." But even the "haves" of the GCC remain impoverished in terms of technological know-how and infrastructure necessary to break their dependence on the international oil companies in providing refining processes, shipping and markets for GCC crude oil. All of these factors have enhanced the power of the Western oil companies while further concentrating the power within the industry into fewer and fewer hands.

CHAPTER 2

Management of Resource Systems by Resource Security States

"Modern bourgeois society, which sprang from feudalism, only established new forms of exploitation. The bourgeois cannot exist without constantly revolutionizing the instruments of production."

-Karl Marx, The Communist Manifesto

"It is necessary to take into account that imperialism is world system, the highest stage of capitalism, and that it must be defeated in world-wide confrontation."

-Ernesto "Che" Guevara

Definition & Geographic Overview

In 1969 as US troops began leaving SE Asia to be replaced by local units of the South Vietnamese army, President Richard Nixon, addressing a crowd of reporters on the island of Guam, announced a major shift in US foreign policy.

Outlining what would later be known as the Guam Doctrine, Nixon talked of a new willingness by the United States to let US regional allies intervene in regional conflicts. "Regional influentials" would be established, according to Nixon, which would be responsible for the security of particular geo-strategic regions of the globe.

The Carter/Brzezinski Doctrine of Trilateralism expanded on this notion of regional gendarmes as a means to manage areas of the globe containing resources deemed strategic by Western economies, emphasizing the need for "containing" nationalist sentiment by

supporting more moderate political figures.²

The establishment of resource security states has been marked by four distinct tendencies. First, the regional regime must be highly manageable. This is done most efficiently through encouraging elitist autocratic rule, whether by dictatorship or by monarchy. Democracy, in practice as opposed to labelling as such, is thus discouraged since it is a much more difficult political system to manage. A small population is optimal, but is not a determinant factor in most cases.

Second, the region in question must contain resources vital to the well-being of Western economies and the local regime must be made willing to allow Western nations--usually in the form of multinational corporations--to extract these resources very cheaply. Occasionally, the multinationals are based in the local country, but this does not dispel them from membership in RICA. Bribery and corruption are not uncommon means employed by the multinationals in acquiring concessions from local elites.

Third, local capitalist elites must be included in accumulation schemes as either stockholders or partners, thereby giving them a concrete interest in the well-being of the neo-colonial extraction of resources by multinationals. These local capitalists generally deposit their capital into banks in the industrialized nations. Last year a Mexico City newspaper ran the names of 575 "sacadolares" who each had over \$1 million deposits in US banks. The New York Times estimated that from 1978-1987 Latin American countries experienced between \$600-\$800 billion in capital flight, if income from the sale

of illegal drugs were included⁴⁸.

By investing in overseas banks, the interests of these local capitalists become congruent with the survival of international capitalism. The loyalties of these elites are maintained along class lines, rather than national boundaries. They will naturally deposit their capital where it will be safe from expropriation and currency devaluations while yielding the optimal return. The flight capital deposited abroad by these elites depletes their home country of valuable foreign exchange. Capital flight has historically been one of the most substantial barriers to Third World development.

A second way in which local elites are included in RICA accumulation schemes is through contributions to RICA counterinsurgency efforts. Third World capitalists are often solicited by Western intelligence agencies--notably the CIA--for funds needed to conduct covert operations against nationalist tendencies. And since they have a valuable stake in the survival of RICA, of which they are themselves members, the elites often oblige. An example of this was the US contra program in Nicaragua. Wealthy elites from around the world, including Saudi arms dealer Adnan Khognoshi and the Sultan of Brunei were solicited by CIA intermediaries--usually the Israelis--for contributions to the CIA's covert operations based out of Honduras and Costa Rica.

Finally, the local client regime must be willing to fund either its own armed forces or the armed forces of a regional US military gendarme to carry out counter-insurgency activities in the region.

⁴⁸Chomsky, Noam. "The Victors:II", Z Magazine, January 1991. p.10.

The local elite must also maintain close communications--either directly or through a regional conduit--with the Pentagon. The local military apparatus is usually put into place by US forces, recruits are trained by US advisors and US arms transfers to the regime are visible and at a high level. Often the most sophisticated weaponry which the US sells to the regional regime is manned by US personnel. It is official US arms policy "to influence the political orientations of nations which control strategic resources." By 1950 the US was the biggest arms supplier to the Third World, thereby becoming the primary supplier of weaponry and military training to various resource security states which RICA had established⁴³.

The use of resource security states to perpetuate the neo-colonial and imperial aims of RICA, offered RICA with a buffer zone from direct confrontation with local nationalist movements. It also allowed RICA to manage its global resources without exposing itself to the scrutiny of the potential critics.

The need for resource security states has been enhanced by the fact that the developed countries of Western Europe, North America and Japan have become more dependent on Third World resources to sustain economic growth. From 1979 to 1980 US dependency on imports from developing nations increased tenfold, while the US became a debtor nation⁴⁴.

Because of their increased dependency on Third World

⁴³Choudhry, Raj. The Gulf: Scramble for Security. Sreedhar. Dehli. 1983. p.86.

⁴⁴Harvey, David. The Condition of Postmodernity. Basil Blackwell LTD. Oxford. 1989. p.147.

resources, the developed nations have been forced to work collectively in order to perpetuate the exploitation of the South's resources. Configurations such as the Paris Club, the Club of Rome, the Group of Seven, GATT and the Organization for Economic Development have emerged as collective bargaining tools of the industrializing nations when negotiating with the G-77 (developing) countries. And resource security states now play an even more significant role in RICA's accumulation strategies.

South Africa

South Africa a prototype resource security state in the service of RICA. Initially cultivated as a mining colony, South Africa remains a critical component in the international regime of capital accumulation. South Africa is the top producer of platinum, manganese and chrome outside the Soviet Union. It is the third largest producer of uranium and by far the leading producer of gold and diamonds⁴⁸.

Much of the South African mining industry is controlled by the huge Anglo-American Corporation. Though based in South Africa, the company is still closely held by the London-based Oppenheimer family. Anglo-American owns Englehard Minerals Co., the world's largest producer of precious metals. In Canada, where the company also has uranium interests, Anglo-American is tied to Rio Tinto Zinc through interlocking directorates. Rio Tinto Zinc is in turn tied to

⁴⁸Ridgeway, James. Who Owns the Earth. MacMillan Publishing. New York. 1980. p.8.

Royal Dutch/Shell, which still runs South Africa's largest refinery at Durban, along with BP⁴⁶. Anglo-American is also affiliated with DeBeers, which has a monopoly on the world's diamond trade, and mines not only in South Africa, but also in Zaire, Namibia and Botswana. Anglo-American owns a total of 270 companies around the world engaged in everything from timber to finance to real estate to mining. Besides its interlocking directorates with Rio Tinto Zinc, the company has seven interlocks with DeBeers and one with Rustenberg Platinum Mines, which produces 30% of the world's platinum. Anglo-American also has big mines in Zambia and Zimbabwe⁴⁷. The US is heavily dependent on South African ferrochrome, which Union Carbide manufactures in the latter country. And South African manganese is widely used by the US steel industry. T h e minority-rule apartheid system allows for maximum manageability of resources by the regime. And heavy-handed repression is used to suppress democratic tendencies. Recent proclamations by President F.W. De Klerk that apartheid is being slowly dismantled have been chastised by the African National Congress as overstatement. Blacks, who represent 68% of the population, are still not allowed to vote. And in order to assure a continuous flow of strategic metals to the West, the regime is not about to allow democracy to exist.

Local capitalists such as the Rand and Rupert families have become beneficiaries of the regime's accumulation scheme. The

⁴⁶Ridgeway, James. Who Owns the Earth. MacMillan Publishing. New York. 1980. p.8.

⁴⁷Ridgeway, James. Who Owns the Earth. MacMillan Publishing. New York. 1980. p.72.

South African military is armed and trained in part by Israel, which merely acts as a conduit for United States and Western European armaments. South Africa has also supported counter-revolutionary groups fighting leftist governments in the region including RENAMO in Mozambique, Jonas Savimbi's UNITA faction in Angola and right-wing contras in Zimbabwe and Namibia, which only recently ceased to be an appendage of South Africa. In summation South Africa has served as a prototype resource security state for RICA. It is ruled by a minority elite which is thus highly manageable. It has been willing to allow for the extraction of cheap resources by multinational corporations. Local elites have been included in regional accumulation schemes to assure their loyalty to RICA. And the South African military has carried out numerous counterinsurgency forays on behalf of RICA.

Zaire

In central Africa Zaire must be seen as a national resource security state for RICA. President Mobutu Sese-Seiko is reported to be one of the richest men in the world, while the majority of Zaireans go hungry. His dictatorship was established when Belgian and US forces defeated Congolese nationalists in the mid-60s and partitioned Zaire from the Congo. Patrice Lumumba, a Congolese nationalist leader was reportedly assassinated by the CIA. Mobutu and his entourage are part of the mineral accumulation scheme and his forces stand ready to defend capital interests in the region.

Zaire has rich deposits of copper, cobalt, uranium, plutonium and

other strategic minerals, mined by Western multinationals like Rio Tinto Zinc. 75% of US cobalt is obtained from mines in Shaba province in Zaire⁴⁶. Zaire is the only country outside the US and Canada to have pitchblende deposits where cobalt is found. Cobalt is extremely strategic, due to its ability to withstand heat up to 2000 degrees Fahrenheit. It is essential in the assembly of jet engines, intercontinental ballistic missiles and many other weapons systems. Zaire also produces ample copper and is the second largest producer of industrial diamonds in the world⁴⁷.

Other Resource Security States

There are numerous countries throughout the world which have at one time or another served as resource security states for RICA. These include Chile under General Augusto Pinochet, Paraguay under General Alfredo Stroessner and Indonesia under General Suharto. South Korea, Kenya, Pakistan, Turkey, Egypt, the Philippines, El Salvador, Brazil, Papua New Guinea and Mexico (fast earning the reputation of the "Saudi Arabia of North America" for its much larger than previously expected oil reserves) must also be seen as resource security states in service of the RICA. Each country contains valuable strategic resources. Each experiences large infusions of Western direct investment. Each is home to a small ruling capitalist elite, which rules tyrannically. And each

⁴⁶Ridgeway, James. Who Owns the Earth. MacMillan Publishing. New York. 1980. p.111.

⁴⁷Ridgeway, James. Who Owns the Earth. MacMillan Publishing. New York. 1980. p.123.

maintains either direct or indirect ties to the US military.

These client regimes would become increasingly important to RICA in managing global resource systems, since RICA has become steadily more dependent on Third World resources to prop up the global capitalist economy. 22% of all profits generated by US companies alone are now made from direct investment in the Third World. And 60% of those profits are generated from oil⁸⁰. Because of this heavy dependence on the exploitation of Third World oil resources to maintain profit margins, RICA has had to be especially cunning when dealing with OPEC.

In 1975 Henry Kissinger founded the International Energy Agency (IEA), which would function as a collective bargaining tool of the industrialized nations for negotiating with OPEC. The US quickly came to dominate the IEA, much like the Saudis dominate OPEC⁸¹. That same year OPEC, which had emerged from the 1973 boycott determined to craft regional solutions to its own dependency on North consumer nations in obtaining the hard currencies necessary to function in the global capitalist economy, issued "The Solemn Declaration," vowing to seek a more just and equitable New International Economic Order⁸². This, in turn, led to the Conference on International Economic Cooperation in Paris, where 19 developing

⁸⁰Sampson, Anthony. The Seven Sisters: The Great Oil Companies and the World They Made. Viking Press. New York. 1975. p.109.

⁸¹Ahrari, Mohammed E. OPEC: The Falling Giant. University of Kentucky Press. Lexington. 1986. p.40.

⁸²Engler, Robert. The Brotherhood of Oil. University of Chicago Press. Chicago. 1977. p.33.

Countries from G-77 met with 8 industrialized nations to discuss the emergence of a more equitable economic order.

Algeria spearheaded the non-aligned South solidarity movement which had pushed for the conference, encouraging a trickle-down of OPEC's surplus to developing nations. But the IEA showed up refusing to talk about any significant reforms that might have led to a more equitable global economy, demanding that instead the conference focus solely on energy. Their belligerence scuttled the entire conference⁵³.

Kissinger's International Energy Agency was not the only mechanism employed by RICA to subvert non-aligned and OPEC attempts at a more equitable world economic order. In 1982 the International Monetary Fund was designated the central authority for exercising collective capitalist power vis-a-vis Third World debtor nations. In effect, it became a collection agency for North multilateral and bilateral lending institutions, which had lent money to Third World borrowers. Austerity measures meted out by the IMF provoked riots in Brazil, Jamaica, Peru, Sudan and Egypt⁵⁴.

In 1989 IMF-mandated austerity measures in Venezuela produced three days of riots in Caracas, a state of emergency and 300 deaths. Though Venezuela had faithfully agreed to repay their \$28 billion debt, bankers had stopped lending to the country. President Carlos Andres Perez called the move "economic totalitarianism."

⁵³OPEC Annual Report. General Secretariat. Vienna, Austria. 1989. p.8.

⁵⁴Harvey, David. The Condition of Postmodernity. Basil Blackwell LTD. Oxford. 1989. p.170.

It is instructive of a larger crisis of international capitalism that the developed nations have been forced to form collective bargaining units to negotiate RICA's demands with Third World producer nations. It is from this larger context of crisis which the establishment of resource security states must also be viewed. Were it not for the inherent insecurity involved in the neo-colonial extraction of raw materials from South nations by the various capitalist imperialist extensions of RICA, there would be no need for the imposition and enforcement of resource security states.

CHAPTER 3

IRAN: A Resource Security State in the Persian Gulf Region, 1951-1978

"Our whole policy has been based on the major premise that the two key countries in the area are Saudi Arabia and Iran. We believe that arms policies that we have pursued in relationship to Saudi Arabia and Iran in particular can contribute to greater regional cooperation."

-Joseph Sisco, Nixon Undersecretary of State

"We say to the world capitalism that its methods of dealing with us are rejected and we shall combat them. We must exercise complete national control over our resources. The question is not one of socialism, but one of national sovereignty, as life and death regards us all, we, the children of the Third World." -Hourari Boumedienne

Iran has long been of great strategic importance to RICA. And the country's vast oil reserves, high population and large gross national product make it still a much-coveted area of operations for RICA. From 1951, following the CIA overthrow of Mohamed Mossadegh, until the Iranian Revolution of 1978-79, Iran--led by Shah Reza Pahlevi--served RICA as a resource security state in the Persian Gulf region. Nixon would in 1969 articulate the Guam Doctrine, which emphasized Iran and Saudi Arabia as the "twin pillars" of US foreign policy in the Persian Gulf region. When discussing the management of the resource of oil by RICA in the Middle East, it is imperative to discuss Iran under the Shah's rule as a resource security state for RICA. In 1943 the US established a military command in Iran with the

signing of the Tehran Agreement⁵⁶. British Petroleum (first known as Anglo-Persian Oil Co. and later as Anglo-Iranian Oil Co.) held a virtual monopoly on Iranian crude. And Chase Manhattan became the primary petro-bank in Iran.

But in 1951 the Tudeh Party (Masses Party) and the National Front succeeded in electing Mohammed Mossadegh as Prime Minister. Mossadegh was a strong nationalist and immediately announced his intention to nationalize British Petroleum⁵⁶. BP responded by organizing an international boycott of Iranian crude and by calling on their long-time associates, the Dulles brothers, for help. Allen and John Foster Dulles--then CIA Director and Secretary of State respectively--had both worked with Sullivan & Cromwell, which represented British Petroleum in the US⁵⁷.

H. Norman Schwartzkopf (father of General Schwartzkopf of Gulf War fame) and Kermit Roosevelt led a CIA expedition known as "Operation Ajax" and within days Mossadegh was deposed, while the Shah flew into Tehran from Rome on a plane with Allen Dulles⁵⁸.

The Reign of the Shah

By early 1954 the US Justice Department had given the US

⁵⁶Hurewitz, J.C. Diplomacy in the Near and Middle East: A Documentary Record: 1914-1956. D. Van Nostrand Company, Inc. Princeton. 1956. p.160.

⁵⁶Hurewitz, J.C. Diplomacy in the Near and Middle East: A Documentary Record: 1914-1956. D. Van Nostrand Company, Inc. Princeton. 1956. p.25.

⁵⁷ Albert, David. Tell the American People: Perspectives on the Iranian Revolution. Movement for a New society. Philadelphia. 1980.

⁵⁸Albert, David. Tell the American People: Perspectives on the Iranian Revolution. Movement for a New Society. Philadelphia. 1980. p.31.

The Reign of the Shah

By early 1954 the US Justice Department had given the US Sisters (Exxon, Mobil, Chevron, Gulf & Texaco) immunity from anti-trust law and Eisenhower envoy Herbert Hoover travelled to Tehran to help establish the Iranian Consortium⁷⁹. It consisted of the Seven Sisters plus the French state-owned Compagnie Francaise de Petroles⁸⁰. BP remained the most powerful member with a 40% share. By 1957 the CIA helped create SAVAK, the Shah's secret police. Over the next twenty years the two agencies would work closely on matters of Gulf security, with SAVAK officers occasionally venturing to McLean, Virginia for training⁸¹.

A small group of elite families close to the Shah--Aalam, Sadri, Bakhtiyari and Eqbal to name a few--assumed control of the Iranian economy, along with throngs of Western multinationals who received tax holidays, exemptions on imported machinery and low-interest US government approved loans for upon investing in Iran. Huge petrochemical joint ventures were established by B.F. Goodrich, Allied Chemical, Amoco and other Western MNC's in Khuzistan. And the refinery at Abadan became the largest in the world⁸². The exchange of Iranian oil for US armaments became quid pro quo as the US

⁷⁹Ridgeway, James. Who Owns the Earth. MacMillan Publishing. New York. 1980. p.77.

⁸⁰Mikesell, Raymond F. Foreign Investment in the Petroleum and Mineral Industries. The John's Hopkins Press. Baltimore. 1971.12# p.238.

⁸¹Albert, David. Tell the American People: Perspectives on the Iranian Revolution. Movement for a New Society. Philadelphia. 1980. p.6.

⁸²Mikesell, Raymond F. Foreign Investment in the Petroleum and Mineral Industries. The John's Hopkins Press. Baltimore. 1971.12# p.20.

attempted to beef up the Iranian military. The Shah was given carte blanche on US arms purchases and US defense contractors like Lockheed, Fairchild and Northrop reaped the profits. Between 1964-1972, 4,609 Iranians were trained at US Air Force schools⁶³.

The Shah was a loyal servant in supplying cheap oil to RICA. In return he would become one of the wealthiest men in the world⁶⁴. In 1967 Israel invaded the Sinai Peninsula. Egyptian President Nasser was a strong nationalist. He had stated that the progressive socialist Arab states could never unite with the likes of Saudi Arabia, who he denounced as a US puppet. Nasser responded to the invasion of his country by closing the Suez Canal and calling on fellow Arabs to respond with an oil embargo. The Arabs agreed to boycott, but Iran, along with Venezuela and Nigeria, stepped up production. The decision by the Shah to break the Arab's embargo radicalized many nations of OPEC. Led by Iraq and Algeria, the radical Arab nations were increasingly pitted against the Shah. Meanwhile Saudi Arabia formed the DAPEC in an attempt to stave off pro-Nasser sentiment among Arab countries. Iraq initially refused to join⁶⁵.

But amidst all the turmoil, the Shah remained a faithful ally for RICA. The major oil companies survived the Suez closure quite well

⁶³Choudhry, Raj. The Gulf: Scramble for Security. Sreedhar. Delhi. 1983. p.19.

⁶⁴Prados, John. President's Secret Wars: CIA and Pentagon Operations from WWI Through Iranscam. Quill William Morrow. New York. 1986. p.378.

⁶⁵Rand, Christopher. Making Democracy Safe for Oil: Oilmen and the Islamic East. Little, Brown & Co. Boston. 1975. p.186.

since they had by that time developed supertankers which could not pass through the Suez anyway. Thus, the closure had the effect of hurting primarily the independent companies⁶⁶.

In 1969 Mohamar Qaddafi had come to power after a revolution in Libya. By 1970 Qaddafi had formed LINOCCO (the Libyan National Oil Corporation) and ordered lifting caps on Western oil companies. TAPLINE, ARAMCO's pipeline, which carries Saudi crude over 1000 miles to the Mediterranean port of Sidon, Lebanon, had been ruptured by Palestinian guerrillas and Syria, which TAPLINE crosses, guaranteed Libya that they would keep it down for 270 days to drive up oil prices. But despite this show of solidarity, it was the Shah of Iran who again opened the spigots on behalf of Western oil companies. Oil supply was not affected and prices did not go up⁶⁷. In 1970 Libya announced Tripoli I, refusing to negotiate with the cartel collectively. Iraq and Algeria supported the move. One year later Qaddafi announced Tripoli II, with non-negotiable demands. That same year in Tehran, the Shah signed the Tehran Agreement, which raised the "tax" on the Consortium to 55%, but also guaranteed unlimited supplies of oil to the companies. Indonesia, Algeria, Iraq and Venezuela protested the move⁶⁸.

With the Tehran Agreement in place, the majors were actually

⁶⁶O'Dell, Peter. An Economic Geography of Oil. G. Bell & Sons, LTD. 1963. p.130.

⁶⁷Ahrari, Mohammed E. OPEC: The Falling Giant. University of Kentucky Press. Lexington. 1986. p.29.

⁶⁸Ahrari, Mohammed E. OPEC: The Falling Giant. University of Kentucky Press. Lexington. 1986. p.40.

stockpiling high-priced oil during the OPEC-led Arab oil embargo of 1973. Despite a 25% cut in Saudi oil production, world oil production increased by 8% over 1972 production levels. Much of this came from Iran, which again served as a loyal resource security state for RICA. Venezuela and Nigeria also stepped up production⁶⁹. The year the embargo began the Seven Sisters had shown a combined profit of \$5.4 billion. The year it ended the same companies showed a profit of \$8.4 billion--a 56% increase in profits⁷⁰. Meanwhile company oil supplies had increased by 5.5%. It was not the first time the oil companies profited from crisis. Nor would it be the last.

Aside from the Shah's willingness to allow Iran's oil resource to be exploited cheaply by RICA, he also served the function of conduit for CIA covert operations. In the late '60s the Shah began to funnel arms, on behalf of Israel and the US, to Kurdish rebels who were launching attacks on Baghdad. In 1972 Henry Kissinger and the late John Connolly travelled to Tehran to discuss support for the Kurds. Col. Richard Kennedy, a Kissinger aid, later met with Kurdish leader Mustafa Barzani's son to deliver \$16 million in CIA military aid to the Kurds⁷¹. In 1972 Iraq had troops fighting in Syria and by arming the Kurds the US was able to set up another front in its covert war against the troublesome al-Bakr regime. The Shah gladly joined this

⁶⁹Hall, Gus. The Energy Rip-off: Causes and Cure. International Publishers Co, Inc. 1974. p.22.

⁷⁰Mintz, Morton & Jerry S. Cohen. Power Inc. Viking Press. New York. 1976. p.236.

⁷¹Prados, John. President's Secret Wars: CIA and Pentagon Operations from WWI Through Iran. Quill William Morrow. New York. 1986. p.313.

effort, happy to see Baghdad occupied with the Kurds. When Iran and Iraq bridged some differences in 1975, CIA arms shipments to the Kurds stopped. Barzani wrote personal pleas to Henry Kissinger, to which he received no reply. Pressed on the fact that the CIA had effectively left the Kurds to die at the hands of the Iraqis, one US official said, "Covert action should not be confused with missionary work."⁷² Iranian forces had also intervened on behalf of RICA, along with Jordanian and British troops, to put down the Dhofar rebellion in Oman, which had included Yemeni and Iraqi Marxists⁷³.

The Shah had been a faithful client of RICA, relegating his country to the role of resource security state, while crushing domestic opposition to this subservient role by way of SAVAK, his brutal secret police. The better half of the twin pillars had enriched RICA while serving to protect Persian Gulf oil from nationalist movements in the region. But nothing would prepare RICA for what would happen in the watershed year of 1979.

The Iranian Revolution

The Iranian Revolution of 1978-79 was only one event of that year which saw RICA's stranglehold on Middle East resources destabilized to a point of crisis. The Soviets had rolled their tanks into Afghanistan, Marxist rebels had taken over in Ethiopia, South Yemen had broken away from North Yemen to form a Marxist state and

⁷²Prados, John. President's Secret Wars: CIA and Pentagon Operations from WWI Through Iranscam. Quill William Morrow. New York. 1986. p.314.

⁷³McNaughton, Thomas L. Arms and Oil. The Brookings Institution. Washington, D.C. 1985. p.103.

Shi'ite uprisings rocked the Hasi oil province in Saudi Arabia. Yet, despite the magnitude of these other events, it was the overthrow of the Shah in Iran which pained RICA the most.

By 1978, Iran had become the world's fourth largest oil producer, supplying 18% of both Japan's and West Germany's oil needs, 50% of Israel's oil and nearly 100% of South Africa's⁷⁶. But in late 1978, the Shah's regime began to crumble under the weight of an oil workers strike organized by the Tudeh Party in Khuzistan and increasing criticism by the Islamic Mullahs, who accused the Shah of being a secular puppet of Western consumerism. When the Shah was finally deposed and the Ayatollah Khomeini seized power, Iran cut its oil production by 90%. RICA had again stockpiled oil and manipulated world production to fend off a shortage. Oil supply actually increased by 6.6% in 1979. The Iranian Revolution had provided the major oil companies with another perceived crisis and they promptly overcharged US consumers by \$2 billion⁷⁸.

But while the oil companies again profited from a crisis situation, RICA squirmed. Iran had a population of 40 million, a GNP of \$195 billion (compared to the Saudi's GNP of \$79 billion), estimated oil reserves of 93 billion barrels and the most advanced US-made weaponry in the region. Khomeini took a hard line on oil prices and denounced the Gulf sheikdoms for their opulence and betrayal of Islam.

⁷⁶Albert, David. Tell the American People: Perspectives on the Iranian Revolution. Movement for a New Society. Philadelphia. 1980. p.2.

⁷⁸Albert, David. Tell the American People: Perspectives on the Iranian Revolution. Movement for a New Society. Philadelphia. 1980. p.58.

The US had made attempts to head off the mullah's victory. In 1979 Gen. Robert Huyser, Deputy Commander of American Forces in Europe, had journeyed to Tehran. There he established a council of generals on the top floor of the Tehran Hilton. A plan was hatched whereby Iranian military officials close to the Shah would ease the Shah out and take power before the mullahs could. But the plan failed. The CIA developed a back-up plan which would have General Oveisi--one of the Shah's commanders--seize the Khuzistan oilfields and declare independence⁷⁶. Meanwhile in Kuwait City, Zbigniew Brzezinski met with Saddam Hussein, the Emir of Kuwait and Saudi officials. It was decided that Saddam Hussein should invade Khuzistan and amputate it from the rest of Iran. Saddam would receive Kuwaiti and Saudi financial support, and was promised the long-disputed Shatt al Arab waterway, which would provide Iraq with access to the Persian Gulf and, the US hoped, make the long-disputed question of Kuwait less relevant⁷⁷. Hussein was convinced that the predominantly Arab people of Khuzistan would see him as a liberator from Persian subjugation.

But the Arab majority in Khuzistan had been badly mistreated by the Shah and were highly supportive of the Iranian Revolution. It was the Tudeh Party who organized the oil workers of Khuzistan to carry out a protracted oil strike which helped break the back of the Shah's regime, despite protests by the Ayatollah, who was worried

⁷⁶Shoenman, Ralph. Iraq and Kuwait: A History Suppressed. Veritas Press. Santa Barbara, CA. 1990. p.16.

⁷⁷Shoenman, Ralph. Iraq and Kuwait: A History Suppressed. Veritas Press. Santa Barbara, CA. 1990. p.16.

that the mullahs and capitalists would lose power⁷⁸. When Saddam Hussein invaded Iran, he met with fierce opposition from the oil workers. The Iran/Iraq war, which lasted eight years and took over 1 million lives, had begun.

The year 1979 had indeed been a watershed year which drastically changed the geopolitical landscape of the Middle East. Inspired by the teachings of the Ayatollah, the Islamic fundamentalist movement gained momentum alongside the growing numbers of Arabs, increasingly sympathetic to Mohamar Qaddafi's denunciations of RICA imperialism. The unexpected Iranian Revolution, the Soviet "invasion" of Afghanistan, the Marxist coup in Ethiopia, the establishment of the separate Marxist state of South Yemen (in 1990 North and South Yemen would again unify) and Shi'ite uprisings inspired by the teachings of the Ayatollah in Kuwait, Iraq, Oman and Saudi Arabia each contributed to a general atmosphere of insecurity on the part of RICA⁷⁹.

Revolutionary cells had formed throughout the region. In Oman, the Popular Front for the Liberation of Oman gained support. In Bahrain, the National Liberation Front and the National Student Union rallied. In Saudi Arabia, the Lebanon-based Popular Democratic Union--which kept close ties to the PLO--and the Arabian Peninsular People's Union--which Nasser had helped establish--inspired Shi'ite uprisings that rocked Hasi province, home to the

⁷⁸Shoenman, Ralph. Iraq and Kuwait: A History Suppressed. Veritas Press. Santa Barbara, CA. 1990. p.21.

⁷⁹Peterson, J.E. Defending Arabia. St. Martin's Press. New York. 1986. p.8.

majority of Saudi oil reserves⁸⁸. And the seizure and subsequent occupation of Ka'bah by Islamic fundamentalists with the backing of liberal intellectuals had utilized the Koran as a basis for revolutionary activity.

The Twin Pillars policy had faltered. The overthrow of Shah signified the end of Iran's role as a resource security state for RICA and new security arrangements would have to be established to insure RICA continued access to Persian Gulf oil. Up to this point RICA had relied solely on individual resource security states (primarily in the form of Saudi Arabia and Iran) to protect its position of power in the region. But the inherent insecurity of relying solely upon these two nations, which had historically been at odds with each other, to assure RICA's continued access to the strategic Gulf oilfields had become painfully obvious. It was now apparent to RICA that what was necessary was a more comprehensive and manageable regional resource security system.

⁸⁸Choudhry, Raj. The Gulf: Scramble for Security. Sreedhar. Dehli. 1983. p.59.

CHAPTER 4

The Gulf Cooperation Council:

A Regional Resource Security System

"The emir is in Transjordanian where I put him one Sunday afternoon in Jerusalem."

-Winston Churchill

"Only one factor is involved in where the price of oil is going to go--and that is Saudi Arabia."

-Joseph Story/Middle East Analyst/former ARAMCO official

"We are still a poor country. We lack industry, agriculture; worse still we lack manpower. We make our young people study, then send them to foreign universities. But it takes years to obtain a degree. Meanwhile we must import engineers, technicians, etc."

-Sheik Yamani/former Saudi Oil Minister

"There remains no other course for national and progressive forces except that of struggle in all its forms, even if this leads to cutting off oil supply lines...and closing down oil wells in order to deprive the monopolist, the embezzler, the despot of this oil."

-al-Ba'ath newspaper/Damascus 1966

Following the Iranian Revolution and the other above-mentioned destabilizing events of 1979, RICA saw the need to establish a more comprehensive security system for the safeguarding of RICA access to Persian Gulf crude. It is in this context that the formation of the Gulf Cooperation Council (GCC) in 1981 must be seen as tantamount to the ascendance of a more comprehensive and manageable regional resource security system. Saudi Arabia and the United States had pushed for the arrangement, as countries whose elite have a vested interest in the survival of

RICA.

The GCC consists of Saudi Arabia, Kuwait, Oman, United Arab Emirates, Qatar and Bahrain. Each of these nations, with the exception of Oman which is not a member of OPEC, is a banker OPEC nation, while no industrializing OPEC nation is included in the GCC. This is a significant factor and has driven a wedge between these two types of nations in OPEC. Being banker nations, the GCC is more prone to sell oil cheaply to RICA, whereas the industrializing nations generally demand a higher price in order to pay off their debts to Western creditors and build infrastructure in their respective countries.

Upon formation of the GCC, these countries immediately signed a GCC Economic Agreement which culminated in the establishment of a free trade zone. Foreign workers now began to move freely across borders, a common market was established and industrial, oil and developmental aid policies were harmonized⁸¹. The formation of the GCC drew immediate criticism from Syria, Iraq and the PLO who said the agreement divided the Arab League into "haves and have-nots." The foundation of the GCC also dramatically diffused the power of the more traditional geo-political power centers in the region, while enhancing the power of the Gulf States.

⁸¹Kubursi, Atif A. Oil, Industrialization and Development in the Arab Gulf States. Croom Helm. Kent, England. 1984. p.4.

The Manageability of the GCC

To fully understand the significance of the formation of the GCC one must first appreciate the history of feudal elite rule and European colonization which resulted in the existence of the sheikdoms which make up the GCC. The history of single-family rule in the Gulf States make these enclaves ripe for manageable imposition of a regional resource security state in the Persian Gulf region by RICA.

In 1914 the British resident in the Gulf promised Shaykh Mubarek al-Sabah recognition of Kuwait in exchange for Kuwait's help in attacking the Turks at Safwan in Mesopotamia (now Iraq). In 1917 the British made a client out of Ibn Saud, while encouraging Arab tribesmen to repel the Ottoman Turks from the Gulf region. That same year the Balfour Declaration was signed, giving British support for a Jewish Homeland in Palestine and a year later the Ottomans were defeated⁸².

Iraq, Saudi Arabia and Jordan were carved out of the Ottoman Empire, while the territories of Palestine became part of Transjordan. Kuwait, the Trucial States of Oman (now UAE), the Oman Coast (now Oman) and Bahrain were all given British protectorate status. In 1922 the Treaty of Jeddah gave Saudi Arabia independence from the British⁸³. And during the 1920s the Saudis took Riyadh from the Ottomans and both Mecca and Medina from the

⁸²Fromkin, David. "How the Middle East Map Came to be Drawn", Smithsonian. January 1991. p.14.

⁸³Hurewitz, J.C. Diplomacy in the Near and Middle East: A Documentary Record: 1914-1956. D. Van Nostrand Company, Inc. Princeton. 1956. p.111.

Hashemites⁴⁴.

On April 24, 1920 the French and the British had signed the San Remo Agreement which divided up oil concessions between the two countries. Within two weeks the US had responded with the proclamation of the "Open Door" Policy⁴⁵. Independent US oil companies such as Sinclair complained that the US government was discouraging their involvement in the Middle East, and instead supporting the majors. Meanwhile the Seven Sisters along with Compagnie Francaise de Petroles divided Middle East oil concessions. The Iraqi Petroleum Company (IPC--formerly the Turkish Petroleum Co.) was dominated by the British companies--Royal Dutch/Shell and BP. While IPC worked within the confines of the infamous Red Line Agreement, a subsidiary--Petroleum Development Trucial Coast--began drilling in the Trucial States in 1935⁴⁶.

But it was an American company--Standard Oil of California (now Chevron)--which first struck oil in Bahrain in 1932. Within a year Socal had cut a deal with Abdul Aziz ibn Abdul Rahman al Saud for concessions in Saudi Arabia. By 1936 Socal had made Texaco a partner, forming Caltex as their marketing arm. The two also ran the Bahrain Petroleum Company⁴⁷. By 1947 both Exxon and Mobil, eyeing

⁴⁴"Oil Company is Heart of Confrontation", Los Angeles Times. December 16, 1990. p.C-5.

⁴⁵Hurewitz, J.C. Diplomacy in the Near and Middle East: A Documentary Record: 1914-1956. D. Van Nostrand Company, Inc. Princeton. 1956. p.75.

⁴⁶Fenelon, K.G. The United Arab Emirates: An Economic and Social Survey. Longman Books. London. 1976. p.33.

⁴⁷Mikesell, Raymond F. & Hollis B. Chenery. Arabian Oil: America's Stake in the Middle East. University of North Carolina Press. Chapel Hill. 1949. p.55.

the lucrative Saudi oilfields, skipped out of the IPC Red Line Agreement to join Socal and Texaco in what would become known as ARAMCO (Arabian American Oil Company). British Petroleum and Gulf shared Kuwaiti concessions. In 1949 the US majors controlled 42% of Middle East reserves, while the British companies controlled 52%⁸⁸.

The British began to grant independence to its Gulf protectorates beginning in 1961 with Kuwait and ending in 1971 when the United Arab Emirates were formed from seven different sheikdoms. But the British still wield a great deal of influence over Oman, and British mercenaries are said to still guard members of the royal families in all six GCC states⁸⁹.

The GCC states are ruled by family monarchies. And many of these ruling families are inter-related⁹⁰. In Kuwait the al-Sabah family has ruled since the Sykes-Picot agreement officially formed Kuwait in the mid-1920s. They dissolved parliament in both 1975 and 1986, at the urging of King Fahd, when opposition to the emir was growing⁹¹. Currently, no opposition leaders serve in the Kuwaiti Cabinet, which is appointed by the emir.

The al-Sabah family is infamous for its opulent life-style; it is reported that most of Kuwait's \$6-10 billion in annual oil revenue is

⁸⁸Mikesell, Raymond F. & Hollis B. Chenery. Arabian Oil: America's Stake in the Middle East. University of North Carolina Press. Chapel Hill. 1949. p.57.

⁸⁹McNaughter, Thomas L. Arms and Oil. The Brookings Institution. Washington, D.C. 1985. p.102.

⁹⁰Peterson, J.E. Defending Arabia. St. Martin's Press. New York. 1986. p.205.

⁹¹Hero, Dilip. "Uneasy Lie the Oil Kings Heads", The Nation. September 17, 1990. p.13.

spent on luxury items. The New York Times has called Kuwait, "less a country than a family-owned oil company with a seat in the UN."²² Less than 20 families control the economy of Kuwait. Sheik Jaber Ahmed al Sabah is himself worth \$4.8 billion²³.

In Qatar, the ruling al-Thani has intermarried throughout the population to consolidate their rule. The same is true in Saudi Arabia where less than 20 families tied to the throne control the economy. Male members of the Saud family now number over 5000.

Crown Prince Abdullah--a half-brother of King Faud--runs the National Guard, while Prince Sultan, Prince Nayef and Prince Salman--all full brothers of the King--are the Minister of Defense, the Minister of Interior and the governor of Riyadh, respectively²⁴. King Faud himself is the second richest man in the world with a personal fortune of over \$18 billion.

In the United Arab Emirates, the al-Maktoum family rules in much the same manner. Sheikh Rasid bin Said al Maktoum is Prime Minister. His estimated net worth is around \$4 billion. His four sons hold the offices of Deputy Prime Minister, Minister of Finance & Industry, Minister of Defense and Commander of the Dubai Defense Forces. Two of them are also billionaires²⁵.

²²Bratton, Christine & Doug Henwood. "Saving Kuwait", Left Business Observer, February 28, 1991. #44. p.1.

²³Hurewitz, J.C. Diplomacy in the Near and Middle East: A Documentary Record: 1914-1956. D. Van Nostrand Company, Inc. Princeton. 1956. p.7.

²⁴Ahrari, Mohammed E. OPEC: The Falling Giant. University of Kentucky Press. Lexington. 1986. p.363.

²⁵"A Price Worth Paying", The Banker, June 1988. p.10.

For the regime of international accumulation it is much easier to manage the flow of resources through corruptible monarchies, than to deal with much more cumbersome systems of democratic rule. The families which rule the GCC states have a long history of being "bought off" by colonizing forces in one way or another. The vast reserves of oil which the families hold sway over, combined with RICA's decision to impose a regional resource security state through these monarchies has made the ruling families themselves important players in the regime of international capital accumulation.

Population

Another dimension which enhances the manageability of the GCC is their small populations. Despite the permeable layer which exists between state and ruling family bank accounts, the billions in oil revenue which the GCC takes in each year easily provides for the countries' tiny populations. Thus per capita income in the United Arab Emirates is \$15,720 and \$13,680/year in Kuwait. By contrast, average yearly earnings in Morocco equate to only \$750, while per capita income in Egypt is only \$650/year⁴.

This disparity is instructive of the distinction between the "banker" OPEC nations and the industrializing OPEC nations. The banker nations of the GCC have small populations and are willing to accept a lower price for oil. The industrializing nations, such as Indonesia and Algeria, generally have high populations and push for higher oil prices.

⁴Ahmad, Eqbal. "Nightmare Victory", Mother Jones. March/April 1991. p.7.

But the above figures are also misleading. In Kuwait one in every five hundred people are millionaires. But those who are not fall far below the above-mentioned figure. And with the establishment of GCC free trade zone, poor workers from industrializing nations have flocked to the GCC. Their wages fall far below per capita income figures for Kuwait. Prior to the Gulf War, out of 4.5 million people living in Saudi Arabia, one million were migrant workers, mostly from Yemen. 43% of the Saudi work force were foreigners whose incomes are not factored into per capita statistics".

In pre-war Kuwait, the United Arab Emirates and Qatar foreign workers outnumbered residents. Laborers came from places like Jordan, Egypt, Pakistan, Lebanon and India where devalued currencies make oilfield wages bearable". Prior to the Iraqi invasion, only 60% of Kuwaiti males worked at all. The situation is similar in Bahrain, where an Indian contract worker is paid an average of \$75/month".

Cheap Oil

As was discussed in Chapter 1, cheap labor is a factor in RICA's schema for retaining a cheap oil supply. But the main factor in that schema is more political in nature. While Iran faltered as a faithful

"Barnet, Richard. "A Reporter at Large: The World's Resources", The New Yorker. Parts I-III. p.65.

"McNaughten, Thomas L. Arms and Oil. The Brookings Institution. Washington, D.C. 1985. p.94.

"Sampson, Anthony. The Seven Sisters: The Great Oil Companies and the World They Made. Viking Press. New York. 1975. p.109.

supplier of crude to the regime of international capital accumulation, the other "twin pillar"--Saudi Arabia--has continued to pump oil at accelerated rates in order to supply to and support Western economies.

In 1974 Saudi Arabia, Bahrain, United Arab Emirates and Qatar all became price moderates. Kuwait adopted the same position shortly thereafter. One of the main reasons for this was a new realization that their huge reserves were inextricably linked to the well-being of Western economies, which the ruling elite of the GCC had by now invested in. By contrast, Libya, Algeria, Nigeria and Iraq were price hawks ¹⁰⁰.

Saudi Arabia and Kuwait assumed the role of "swing producers," which means their output levels became adjustable according to world market demand. After the 1973 Embargo the Saudis threatened to unilaterally cut the price of crude. The very threat of such a drastic move by the Saudis, who sit atop 255 billion barrels of proven oil reserves, has kept the oil market suppressed. The United Arab Emirates and Kuwait rate second and third in the world in proven reserves with 98 and 94.5 billion barrels respectively ¹⁰¹.

Currently the GCC shoreline, which surrounds the south side of the Persian Gulf, produces 40% of OPEC oil and contains 42% of the world's reserves ¹⁰². Yet these huge reserves remain largely

¹⁰⁰Ahrari, Mohammed E. OPEC: The Falling Giant. University of Kentucky Press. Lexington. 1986. p.7.

¹⁰¹OPEC Annual Report. General Secretariat. Vienna, Austria. 1989.p.8.

¹⁰²Shoenman, Ralph. Iraq and Kuwait: A History Suppressed. Veritas Press. Santa Barbara, CA. 1990. p.35.

untapped. Of all the oil wells operating in the world today, the GCC contains only 1%¹⁰³.

Saudi Arabia has frequently produced above OPEC quotas and sold crude for less than OPEC posted prices¹⁰⁴. In 1981 and 1982 the Saudis pumped indiscriminately, allowing the oil companies to stockpile and further suppress the oil market. Sheik Yamani himself, then Saudi Oil Minister, told an American television reporter that the Saudis had engineered a world oil glut to keep prices low¹⁰⁵.

The Saudis also wanted to take production from Iran, whom they feared would now use excess oil revenues for a further arms buildup which could someday be used against the Saudis¹⁰⁶. The Saudis also held huge and vulnerable financial reserves which made them eager to overproduce. The Saudis argue that if the price gets too high consumer nations may devote more time to the development of alternative energies which could take the place of oil.

The regime of international capital accumulation could not survive without constant infusions of oil revenues which high production affords. And GCC elites are now heavily invested in Western economies. Similarly, GCC elites could not live their opulent lifestyles without high production levels and corollary sales of

¹⁰³Kubursi, Atif A. Oil, Industrialization and Development in the Arab Gulf States. Croom Helm. Kent, England. 1984. p.4.

¹⁰⁴"Oil Company is Heart of Confrontation", Los Angeles Times. December 16, 1990. p.A-5.

¹⁰⁵Bratton, Christine & Doug Henwood. "Saving Kuwait", Left Business Observer. February 28, 1991. #44. p.3.

¹⁰⁶Doran, Charles. Myth, Oil and Politics: Introduction to the Political Economy of Petroleum. The Free Press. New York. 1977. p.142.

cheap crude.

By the spring of 1986, with US pressure and GCC complicity, crude prices had dropped to below ten dollars a barrel. OPEC's industrializing nations, most still over 90% dependent on oil exports, reeled under the pressure of low oil prices, while their foreign debt levels skyrocketed.

Meanwhile Kuwaiti and Saudi oil surpluses were being diverted to Wall Street investments, rather than into building even their own infrastructures. In 1990 25% of Saudi Arabia's 1.4 billion barrels of exported oil went to the United States, while Kuwait and the United Arab Emirates sent most of their exported oil to Japan. The US Department of Energy has even opened a hotline with the GCC oil ministries. As Hisham Nazer, current Saudi Oil Minister and UCLA graduate pointed out about US/Saudi relations, "We now have a mutual bond of self-interest and reciprocal security interests."¹⁰⁷

As the GCC secures more downstream investments in the oil industry, they will only become that much more willing to provide a cheap source of oil to refineries and petrochemical complexes which they then would own.

ARAMCO

Possibly a more significant reason for Saudi and GCC complicity in providing cheap oil to the consumer nations at the expense of OPEC's industrializing nations is that the major oil

¹⁰⁷Tanner, James. "Saudi Arabia Rescinds Cuts in Oil Output", Wall Street Journal, January 22, 1991. p.A-2.

companies retain both interlocking relationships with and direct ownership of the GCC oil industry. The most important such relationship consummates itself in the Saudi-based Arabian American Oil Company (ARAMCO).

ARAMCO is the largest oil company in the world, three times as large as Royal Dutch/Shell. It boasts the largest oil field in the world at Ghawar, the largest off-shore field at Safaniya, the most expensive industrial project (a refinery and petrochemical complex at Jubail) ever undertaken and the largest port in the world at Ras Tanura. Berri and Abqaiq are other large ARAMCO fields. ARAMCO controls one-quarter of the world's known oil reserves¹⁰⁰.

Founded by Socal (now Chevron) in 1938, ARAMCO came to include Texaco, Mobil and Exxon as partners. Under a 1950 agreement royalties paid by ARAMCO to the Saudi Arabian government were used as tax credits for the companies in the US. As a result of this tax scheme, 1974 US taxes for ARAMCO members were as follows: Mobil-1.6%, Texaco-1.6%, Exxon-5.9% and Chevron-4.3%¹⁰¹.

As of 1973 the US companies still owned 75% of ARAMCO. In 1974, as part of post-embargo negotiations, the Saudis increased their share to 60%. And in 1980, ARAMCO was relegated to the role of service contractor¹¹⁰. But despite common assertions by numerous scholars that ARAMCO was fully nationalized by the Saudi government

¹⁰⁰"Arabian Might", The Economist, December 24, 1988. p.79

¹⁰¹Mintz, Morton & Jerry S. Cohen. Power Inc. Viking Press. New York. 1976. p.216.

¹¹⁰"Arabian Might", The Economist, December 24, 1988. p.79

that year, Exxon Corporation's 1990 10K filing to the SEC still lists Exxon Overseas Corporation, a wholly-owned subsidiary of Exxon Corporation, as a 28.33% owner of Arabian American Oil Company¹¹¹.

Aside from this obvious discrepancy, ARAMCO maintains close ties to its parent US corporations. ARAMCO's affiliate Petromin operates joint venture refineries with both Shell (at Jeddah) and Mobil (at Yanbu). In addition Mobil owns 29% of the Saudi lube oil marketer Petrolube and 30% of the Luberef Refinery¹¹². ARAMCO subsidiaries also operates two joint ventures with Texaco: one between ARAMCO Services and Texaco called Texas Refining and Marketing, and one between Saudi Arabian Oil Company and Texaco called Star Enterprises. The Saudis paid \$1.2 billion in the deal¹¹³. Exxon owns and operates both Al Jubail Petrochemical Co. and Exxon Chemical Arabia Inc.¹¹⁴

But Saudi joint ventures and service contracts have benefitted more than just the oil companies. Construction giants Bechtel, Fluor Daniel, M.W. Kellogg and Foster Wheeler reaped huge contracts in building up the oil industry of Saudi Arabia. Recently Saudi Basic Industries announced plans for a 500,000 ton/year methyl tertiary butyl ether plant at Jubail of which Hoechst--the

¹¹¹Securities and Exchange Commission Document: Exxon Corporation 1990 10K Filing.

¹¹² "Saudi Basic Industries Corp.," Oil & Gas Journal. November 19, 1990. p.46

¹¹³"Arabian Might", The Economist, December 24, 1988. p.79

¹¹⁴Securities and Exchange Commission Document: Exxon Corporation 1990 10K Filing.

huge German pharmaceutical conglomerate--and Texas Eastern Corp. will each hold a 25% share¹¹⁸.

According to Platt's Oilgram News, ARAMCO also supplies its US parents with discounted crude, giving them \$5 off the posted price. One ARAMCO official, James McPherson, eventually resigned in disgust because he said ARAMCO's directors were holding back from directly competing with the US Sisters. It was McPherson who also revealed ARAMCO tax fraud to then-Saudi Director of Petroleum and Minerals Abdullah Tariki, who went before the public announcing that ARAMCO had cheated the Saudi government out of \$17 million.

Later Tariki, who was in many ways a protege of Abdullah Suleyman--the ardent nationalist who inked the 1933 pact with Socal--would push for ARAMCO transit fees and increased ARAMCO funding of internal development projects. Eventually Tariki was driven out of office by the Saud family¹¹⁹. Similar loyalties prevail in Kuwait, where Chevron (which has merged with Gulf) and British Petroleum, ex-proprietors of Kuwait Oil Co., continue to receive discounted crude from the now fully nationalized KOC.

In the United Arab Emirates, the majors retain direct ownership of the oil industry. ADCO is 24%-owned by British Petroleum, 9.5%-controlled by Royal Dutch/Shell and 4.75%-held by both Mobil and Exxon. ADMA is 14.67%-controlled by BP and 13.33%-owned by Compaigne Francaise de Petroles (CFP). Dubai

¹¹⁸"Saudi Basic Industries Corp." Oil & Gas Journal, November 19, 1990. p.46.

¹¹⁹Rand, Christopher. Making Democracy Safe for Oil: Oilmen and the Islamic East. Little, Brown & Co. Boston. 1975. p.109.

Table 6

Existing and Planned Petrochemical Projects in the GCC Region 1981

	Location	Products	Capacity Thousand tons/year	Status
Kuwait				
KPIC	Shuaiba	Ethylene	350	Planned
		HDPE	130	Planned
		Ethylene glycol	135	Planned
		Styrene	340	Planned
		Benzene	280	Planned
		Ortho-xylene	60	Planned
		Para-xylene	86	Planned
Saudi Arabia				
(a) Saudi Petrochemical Co (Shell Oil Co.)	Al-Jubail	Ethylene	656	Operational in 1985
		Ethylene dichloride	456	
		Styrene	295	
		Ethanol	281	
		Caustic soda	377	Operational in 1985
(b) Saudi Yanbu Petrochemical Co. (Mobil Chemical Co.)	Yanbu	Ethylene	450	
		LDPE	200	
		HDPE	90	
		Ethylene glycol	220	Operational in 1985
(c) Al-Jubail Petrochemical Co. (Exxon Chemical Co.)	Al-Jubail	LDPE	260	
(d) Saudi Methanol Co. (Japanese consortium)	Al-Jubail	Methanol	600	Operational in 1983
(e) National Methanol Co. (Celanese-TEXAS Eastern)	Al-Jubail	Methanol	650	Operational in 1985
(f) Arabian Petrochemical Co. (Dow Chemical Co.)	Al-Jubail	Ethylene	500	Operational in 1985
		LDPE	70	
		HDPE	110	
(g) Eastern Petrochemical (Japanese consortium)	Al-Jubail	LDPE	130	Operational in 1985
		Ethylene glycol	300	
Bahrain				
Gulf Petrochemical Industries jointly with Kuwait and Saudi Arabia	Satrat	Methanol	330	Operational in 1984
Qatar				
QAPCO and CDF	Umm Said	Ethylene	280	Operating
		LDPE	140	
		Propylene	50	
		HDPE	70	
UAE				
(ADNOC)	Al-Ruwais	Ethylene	450	Under consideration
GCC Region				
		Ethylene	2,686	
		Ethylene dichloride	456	
		Ethylene glycol	655	
		HDPE	400	

Petroleum Co. is 55%-owned by Conoco. Dubai Marine Areas is 35%-owned by Conoco and 33.33%-controlled by BP. Total is 51%-owned by CFP, with Amerada Hess holding an unknown portion. And Esso Trading Co./Abu Dhabi is 100% controlled by Exxon¹¹⁷. The majority of UAE's oil exports go to Japan, with British Petroleum and CFP carrying long-term for shipping¹¹⁸.

The Japanese themselves have also made some investments in GCC-based oil companies. They are now partners in Qatar Petroleum Company, Abu Dhabi Oil Company and Arabian Oil Co. They also provide extensive financing and large quantities of steel for GCC expansion projects¹¹⁹. It is worth noting that the Japanese have not become significant players in the world oil industry, despite the heavily multinational character of that business. Of the 50 top oil companies in the world, not one is Japanese¹²⁰.

This pattern of multinational ownership and participation in joint venture operations stands as the most obvious reason why GCC crude is available at low cost to Western consumer nations. Since RICA itself controls much of the infrastructure of the GCC, it stands to reason that they would exert downward pressure on oil prices, in order to supply their global downstream operations with

¹¹⁷Fenelon, K.G. The United Arab Emirates: An Economic and Social Survey. Longman Books. London. 1976. p.7.

¹¹⁸Ridgeway, James. The Last Play: The Struggle to Monopolize the World's Energy Resources. E.P. Dutton & Co. New York. 1973. p.231.

¹¹⁹Fenelon, K.G. The United Arab Emirates: An Economic and Social Survey. Longman Books. London. 1976. p.7.

¹²⁰"Arabian Might", The Economist. December 24, 1988. p.79

low-cost crude. Meanwhile, the industrializing nations of OPEC, who sorely need a high price for their more scarce crude reserves, are held hostage to a global marketplace in which cheap crude from the GCC is abundant, creating a glut on the world market. This, in turn, drives downward the price which industrializing OPEC nations can attain for their own crude.

Recycling Petrodollars

There is yet another reason why the GCC is willing to sell its crude cheaply to RICA. As Western dependence on Third World resources has increased, it has become necessary for RICA to include elite cliques of local capitalists into regional accumulation schemes. Many of these local capitalists have become very wealthy. The US has itself become a debtor nation, in part due to the \$120 billion deposited in large commercial banks by Third World elites, many of whom reside in resource security states, as well as in the regional resource security system manifested in the formation of the GCC.

Even in countries where the majority of the population lives in poverty, there are elites who make substantial deposits into Western commercial banks. Egyptian elites, for example, hold \$60 billion in deposits in foreign banks, while the average Egyptian earns \$650/year¹²¹. The richest family in the world is headed by the Sultan of Brunei, an oil enclave carved out of East Malaysia, where Royal Dutch/Shell holds a virtual stranglehold on the oil

¹²¹Ahmad, Eqbal. "Nightmare Victory", Mother Jones. March/April 1991. p.7.

industry, the third largest in East Asia after China and Indonesia¹²². By 1974 over one-third of OPEC's \$60 billion surplus of petro-dollars was being deposited in large international Western banks. Chase Manhattan led the way in soliciting these investments. Their clients came to include the Saudi Arabian Monetary Agency (SAMA), the Bank of Markazi (Iran's Central Bank), and Venezuela's Central Bank. Chase also helped establish the Saudi Industrial Development Fund in 1975, and was rewarded in 1977 for their efforts with a 20% share in the Saudi Investment Banking Corporation¹²³.

SAMA was founded in 1952 on the heels of the ARAMCO "tax increase" and the signing of the Saudi/US mutual security agreement discussed later in this chapter. Initially run by American investment bankers, SAMA now relies on almost solely Saudi nationals (including immigrants from Palestine and other Muslim countries). Still, until 1989, SAMA relied upon a joint advisory contract with Merrill Lynch and Baring Brothers for financial advice¹²⁴.

SAMA is the largest stockholder in the Saudi International Bank. Other 5% shareholders include the Bank of Tokyo, Deutsche Bank, Banque de Nationale de Paris, National Westminster Bank and

¹²²Ridgeway, James. The Last Play: The Struggle to Monopolize the World's Energy Resources. E.P. Dutton & Co. New York. 1973. p.168.

¹²³Wilson, John David. The Chase: The Chase Manhattan Bank N.A. 1945-1985. Harvard Business School Press. Boston. 1986. p.231.

¹²⁴"The Enigma Behind the Saudi Billions", Euromoney. September 1990. p.70.

Union Bank of Switzerland¹²⁵.

Capital naturally chases investment opportunities, generally seeking the safest possible investment which affords the greatest return. Total GCC government overseas investment including that of SAMA, the Kuwait Investment Authority, Abu Dhabi Investment Authority and the respective government investment funds of Qatar, Oman and Bahrain comes to over \$200 billion. The Kuwait Investment Authority, known for its willingness to take calculated risks when investing, alone holds over \$100 billion in overseas assets¹²⁶. The preceding figure only represents government investment. Private overseas assets of the ruling families of Kuwait, Saudi Arabia, Bahrain and the United Arab Emirates total another \$150 billion¹²⁷. Often it is hard to distinguish between personal and government holdings, since the ruling families such as Saud and Juffali often own majority stock in supposedly government ventures.

GCC investments are all generally handled as private by private firms. The Olayan Group, for example, handles the petrodollar surpluses of GCC elite. It controls major chunks of Chase

¹²⁵Rossant, John. "Now, the Desert Kingdoms are Thirsty for Cash", Business Week, March 18, 1991. p.32.

¹²⁶Shoenman, Ralph. Iraq and Kuwait: A History Suppressed. Veritas Press. Santa Barbara, CA. 1990. p.32.

¹²⁷Shoenman, Ralph. Iraq and Kuwait: A History Suppressed. Veritas Press. Santa Barbara, CA. 1990. p.32.

Manhattan Bank, Occidental Petroleum and CS First Boston¹²⁸. Another private firm which handles billions for the sheiks is Investcorp Bank, which is located in Bahrain, the off-shore banking center of the GCC. Recent purchases include Saks Fifth Avenue and the US marketing wing of the huge British conglomerate B.A.T. Industries, Tiffany, Gucci and Chaumet¹²⁹.

Much of the off-shore banking industry in Bahrain is foreign-owned. The Kuwaiti Burgan Bank, for example, owns 28% of the large Bahrain Middle eastern Bank¹³⁰. The biggest US banks also have major operations there.

Elites from Saudi Arabia and the United Arab Emirates used holding companies in the Netherlands Antilles to gain control of Financial General Bankshares, a holding company which owns a string of banks along the US Eastern Seaboard. State regulators and Congress complained that the acquisition would harm community interests, but the Federal Reserve overruled them and sanctioned the deal¹³¹. Nonetheless, Saudi Prince al-Waleed bin Talal, a member of the royal family and owner of the Saudi Commercial Bank, recently invested \$590 million in Citibank, giving him a potential

¹²⁸Shoenman, Ralph. Iraq and Kuwait: A History Suppressed. Veritas Press. Santa Barbara, CA. 1990. p.32.

¹²⁹Shoenman, Ralph. Iraq and Kuwait: A History Suppressed. Veritas Press. Santa Barbara, CA. 1990. p.33.

¹³⁰Middle East Economic Survey. November 26, 1990. p.B-3.

¹³¹Moore-Lappe, Francis & Joseph Collins. Food First: Beyond the Myth of Scarcity. Ballantine Books. New York. 1978. p.252.

15% (and thus easily controlling) interest¹³².

The Kuwaitis are the clear leaders in GCC overseas investment, with over 10 times the investments of Saudi Arabia. The Kuwaitis now own major chunks of Midland Bank, Daimler-Benz, Hoechst (the German-based #2 pharmaceutical manufacturer in the world), and British Petroleum. In 1988 the Kuwaitis owned 22% of the latter, but have since reduced their share in BP to 9.85%¹³³. The Kuwaitis also own two California hotels in partnership with Charles Keating, who was implicated in the recent S&L swindle¹³⁴. Surplus capital must be invested and throughout the 1970s and early 1980s the GCC elite had plenty of surplus capital. The majority of GCC investment remains in US and Japanese long-term government bonds, both of which remain extremely safe investments.

During the 1980s the value of GCC foreign holdings decreased correspondingly with a decrease in GCC oil export values. In 1981 the Saudis earned \$120 billion from exports, over 95% of which were oil exports. Two years later, in 1983, SAMA's foreign reserve assets were valued at \$117 billion. 1991 oil revenues are estimated at only \$33 billion, while in 1989 SAMA's foreign holdings equalled only \$65 billion¹³⁵. Many western economists think that figure

¹³²Quint, Michael. "Saudi Prince Becomes Citicorp's Top Stockholder", New York Times, February 22, 1991. p. A-1.

¹³³Shoenman, Ralph. "Deceiving the American People: The Hidden Story of the Gulf War. The Organizer, March/April 1991. p.6.

¹³⁴Bratton, Christine & Doug Henwood. "Meet the New World Order", Left Business Observer, January 26, 1991. #43. p.2.

¹³⁵OPEC Bulletin. General Secretariat. Vienna, Austria. April 1991. p.8.

has shrunk more since 1989, but information from the secretive SAMA has not been forthcoming.

RICA has always found it necessary to incorporate local elites into its accumulation schema. During the colonial period, kings and tribal leaders were directly bought-off. More recently, the leaders of resource security states, such as the Shah of Iran, have been allowed to live lavishly so that their loyalties would remain firmly attached to RICA. Now, with the advent of the regional resource security system of the GCC, the ruling families of the six GCC countries have become intertwined as shareholders, partners and depositors in RICA, themselves becoming very much a part of the regime of international capital accumulation.

GCC Aid as Counterinsurgency

There are other ways in which GCC elites recycle their surplus petrodollars through RICA. Following the 1973 oil embargo and its resultant price shock, OPEC elites embarked upon a wild spending spree. What wasn't rolled onto French Riviera roulette tables, invested into Western multinationals or stashed into offshore accounts was spent on the purchase of primarily US arms and coordinated GCC developmental aid programs, which also involved military assistance transfers¹³⁶.

It has become necessary for RICA to establish an "arms for oil" quid pro quo with the GCC states; primarily to ensure adequate

¹³⁶Doran, Charles. Myth, Oil and Politics: Introduction to the Political Economy of Petroleum. The Free Press. New York. 1977. p.142.

protection of the oil resource, but also to balance the trade deficit vis-a-vis the GCC. The Saudis have elaborate military assistance arrangements with Pakistan, whereby the Saudis send Karachi developmental aid in return for the services of Pakistani military units. Similarly Kuwait has long received military assistance from both Pakistan and Egypt in exchange for billions in development aid¹³⁷. And the best Pakistani pilots still fly for the United Arab Emirates Air Force.

Similar arrangements exist with Turkey. The militaries of Egypt, Turkey and Pakistan are renowned as the best in the region aside from the Israelis. In addition these countries each have much larger populations than the GCC countries. This "surplus" population figures into both the regional resource security strategy and the regional labor strategy of RICA.

The above three countries, when combined with Israel, account for fully one-half of annual US military aid, collectively receiving \$6.5 billion in annual US military assistance¹³⁸. US military aid to Egypt began after the fall of Nasser. This aid combined with Saudi financial support was essential in swaying Sadat away from the Qaddafi camp of radical Arab nationalism. When Sadat signed the historic Camp David Accords with Israeli President Menachim Begin, Egypt became the first--and still the only--Arab nation to sign a peace treaty with Israel. Egypt has been rewarded for this ever

¹³⁷Peterson, J.E. Defending Arabia. St. Martin's Press. New York. 1986. p.205.

¹³⁸Bratton, Christine & Doug Henwood. "Meet the New World Order", Left Business Observer. January 26, 1991. #43. p.2.

since, frequently receiving aid from the Saudis, the Kuwaitis and the US.

The Saudis have frequently acted as a conduit and financier for US military aid. In 1975 the US sent \$138 million in military aid through Saudi Arabia to North Yemen in hopes of heading off the Marxist revolution there. They failed to do so¹³⁹. In 1980 the Saudis revealed that they had sent \$30 million to the mujahadeen Afghan-contras fighting the Soviet-backed Afghan army. And during the Iran/Contra hearings it emerged that the Saudis had sent at least \$32 million in aid to the Nicaraguan contras in 1985¹⁴⁰.

The Saudis also provided support for the National Front for Salvation (NFS), which had operated from bases in Chad in its attempts to overthrow Moamar Qaddafi. In November 1990, following the successful Libyan-backed coup in Chad, the US evacuated 350 members of the NFS who had been trained in Chad with Saudi economic support. The US ended up restoring \$5 million in aid to Kenya for temporarily housing the Libyans after other African nations refused to do so. The Saudis have also financially supported the UNITA guerrillas which had been fighting the leftist Angolan government until just recently.

Both the Saudis and the UAE, along with Jordan, provided both financial and military assistance to the Omani government during

¹³⁹Choudhry, Raj. The Gulf: Scramble for Security. Sreedhar. Delhi. 1983. p.14.

¹⁴⁰Prados, John. President's Secret Wars: CIA and Pentagon Operations from WWI Through Irancon. Quill William Morrow. New York. 1986. p.383.

the Dhofar rebellion. Saudi aid to both Oman and North Yemen— which supplies over one-third of the Saudi work-force—continues today in an attempt to discourage radicalism in those countries. Kuwait, meanwhile, provided incentive aid to South Yemen which ultimately produced a truce between South Yemen and Oman.

But falling oil export values and a subsequent drop in the foreign asset holdings of the GCC throughout the 1980s resulted in a parallel drop in GCC Regional Aid Programs. In 1981, at the height of the oil boom, the Kuwait-based Fund for Arab Economic Development gave away \$11 billion in aid. In 1989 they gave only \$1

TABLE 7

Movement of OPEC Earnings to the North, 1974	
Deposits in European currencies	\$21.0 billion
Deposits in United States currencies	4.0 billion
British deposits and bonds	7.5 billion
United States bonds	6.0 billion
European and Japanese bonds	9.0 billion
Credits to industrial countries	5.5 billion
IBRD/IMF	3.5 billion
United States stocks	1.0 billion
Total	\$57.5 billion
SOURCE: Data collected from reports of major Northern banks.	

TABLE 8

ODA Net Disbursements by Arab Donors \$Mn					
	1980	1986	1987	1988	1989
Saudi Arabia	5,682	3,517	2,888	2,048	1,171
Kuwait	1,140	715	316	108	169
UAE ¹	1,118	87	15	-17	25
Other Arab donors ²	734	200	102	146	124

ODA Net Disbursements by National Arab Aid Agencies Including Loans and Grants Administered on Behalf of the Government \$Mn					
	1980	1986	1987	1988	1989
Abu Dhabi Fund	135.5	50.2	4.4	-6.3	-12.3
Kuwait Fund	357.0	321.6	99.2	-0.3	-8.2
of which Bilateral	279.4	239.4	88.1	-6.9	-15.1
Saudi Fund	491.3	190.0	142.2	42.8	31.9
Total	983.8	561.8	245.8	36.2	11.4

negative donors. In other words, repayments of loans and interest collected now exceed aid disbursements¹⁴¹. Net payments to the Fund in 1989 came from Bangladesh, Egypt, Pakistan and Turkey. Arab regional aid now represents only .54% of the GCC's combined annual GNPs¹⁴².

Each of these examples points to a pattern which has become increasingly formulized. RICA expects local elites to fund regional and global counterinsurgency efforts as a pay-back for allowing these elites to become part of RICA's accumulation schemes. In return, these local elites can rest assured that should the political climate in their own region become destabilized by nationalist sentiment, the United States military machine will come to their rescue.

US Military Hegemony in the Middle East

In 1950, the same year the Saudis began to collect royalties on ARAMCO profits, George McGhee, US Assistant Secretary of State, negotiated a US/Saudi security agreement. Export-Import Bank loans began flowing into Saudi Arabia. US Military advisors and aid were sent. And the US Army Corps of engineers began construction of an airbase at Dhahran, less than five miles from ARAMCO's main facility. The base was built extra-large, to accommodate the

¹⁴¹Ahmad, Eqbal. "Nightmare Victory", Mother Jones, March/April 1991. p.6.

¹⁴²"Saudi Developmental Assistance Falls in 1989, as Arab Aid Continues to Decline", Middle East Economic Survey, December 24, 1990. p.B-2.

largest of military transport planes¹⁴³.

In 1965 the US and the British launched the Anglo-American Program, which resulted in \$400 million in Saudi defense contracts for US and British corporations. Part of the program went to the construction of the base at Khamis Mushayt. The US Army Corps would later construct bases at King Khalid and Asad¹⁴⁴.

Following the 1973 Arab oil embargo US/Saudi relations warmed rapidly. King Faisal, who had wavered as a US puppet by supporting the embargo, was assassinated in 1975 and King Khalid took the throne. Upon his ascendancy, the US Army Corps issued \$17 billion in contracts for the construction of communications systems, roads and bases in Saudi Arabia¹⁴⁵.

Saudi Arabia had filled the role of the other "twin pillar" outlined in the Guam Doctrine. US policy makers figured it was much better to sell the Saudis weaponry and let them defend the region south of the Gulf themselves when possible. Meanwhile, Iran would purchase US weaponry to police the northern side of the Gulf. In both countries a quid pro quo was established whereby US arms were to be exchanged for cheap oil. And Riyadh always paid cash. US arms sales to both countries helped correct the US trade balance,

¹⁴³Hurewitz, J.C. Diplomacy in the Near and Middle East: A Documentary Record: 1914-1956. D. Van Nostrand Company, Inc. Princeton. 1956. p.323.

¹⁴⁴Peterson, J.E. Defending Arabia. St. Martin's Press. New York. 1986. p.193.

¹⁴⁵Roberts, John. "Arms and Oil Resources Tie Two Nations Together", The Oil Daily, November 12, 1990. p.C-2.

while defense contractors rang up huge profits¹⁴⁶.

Following the Iranian Revolution and the other turbulent events of 1979, the US began to more overtly display its willingness to come to the aid of the Saudi monarchy. During the 1979 Yemen border war the US sent \$390 million and US advisors to North Yemen, when the actual situation warranted no such drastic action¹⁴⁷. It was a strong show of support for the Saudis, but it also indicated the insecurity of capitalist interests in the region during this period. This crisis situation necessitated the emergence of the GCC as a regional resource security system.

The Saudis, under State Department pressure, had immediately announced a production increase to offset the loss of Iranian crude exports following the mullah's victory in Tehran. Within two weeks of that announcement, the US State Department announced a \$1.2 billion program to shore up the ailing Saudi National Guard which would be supervised by Vinnell Corporation¹⁴⁸.

Saudi purchases of US weaponry surpassed even Israeli procurement in 1979. Bendix, Raytheon, Lockheed, TWA and the US Army Corps flocked to Riyadh to exhibit their wares, as the regime of international capital accumulation scrambled to regain control of the Gulf Region.

¹⁴⁶Roberts, John. "Arms and Oil Resources Tie Two Nations Together", The Oil Daily. November 12, 1990. p.C-2.

¹⁴⁷Choudhry, Raj. The Gulf: Scramble for Security. Sreedhar. Dehli. 1983. p.14.

¹⁴⁸Choudhry, Raj. The Gulf: Scramble for Security. Sreedhar. Dehli. 1983. p.16.

Both Britain and the US have frequently pushed "defense offset" deals with the Saudis, in which weapons purchases were paid for in cheap oil. One American program-- "American Peace Shield"-- landed Boeing an \$8.5 billion contract to sell AWACS to the Saudis and develop an Integrated Command and Control (C3) System¹⁴⁹.

A recent British program--"Al-Yamamah"--was engineered by British Aerospace--actually operated by a consortium of pan-European interests which received free oil as commission for establishing the joint Anglo-Saudi Committee. Royal Dutch/Shell and BP also received free oil out of the deal. The British continue to encourage the Saudis to invest their oil surplus in the lagging refineries in Eastern Europe¹⁵⁰.

The militarization of the Gulf region following the Iranian Revolution went beyond the borders of Saudi Arabia. 1980 US arms sales and military aid to the GCC were unprecedented in US history. The AWAC-monitored C-3 system defense system now in place and manned by Americans in Riyadh, would be integrated with Hawk missile systems in all six GCC countries¹⁵¹.

In 1983 the GCC began to conduct joint regional military maneuvers. The Saudis and Kuwaitis conducted the first such

¹⁴⁹Roberts, John. "Arms and Oil Resources Tie Two Nations Together", The Oil Daily. November 12, 1990. p.C-2.

¹⁵⁰Frenchman, Michael. "Different Direction for Growth: Defense Off-set Deals", The Oil Daily. November 12, 1990. p.C-8.

¹⁵¹McNaughten, Thomas L. Arms and Oil. The Brookings Institution. Washington, D.C. 1985. p.135.

exercises, followed by maneuvers between Oman and the UAE. Then Saudi Arabia, Bahrain, Kuwait and Qatar combined forces to do the same ¹⁵².

In 1984 the six member nations of the GCC established a Joint Chiefs of Staff and established their own Rapid Deployment Forces, both modelled after the Pentagon and facilitated by US advisors. The Saudis and Kuwaitis agreed to pay for Bahrain and Oman air defenses. Later that year, the Pentagon coordinated the "Peninsula Shield" exercise, which involved troops from the US, Egypt, Pakistan, Turkey and the GCC ¹⁵³.

Meanwhile the US established a "fallback arc" of bases and obtained basing rights agreements for its new Rapid Deployment Forces (RDF) in Oman, Kenya, Somalia and Egypt. In 1983, after a trial run in Grenada, Reagan merged the RDF into the US Central Command. The US Middle East Forward Command (MIDEASTFOR) was placed at the large US Naval Base at Jufair, Bahrain ¹⁵⁴.

Part of the reason for placing it in Bahrain is explained by the fact that the country is a major off-shore banking center dominated by the big US banks--Chase Manhattan, Citicorp, Bank of America, Morgan Guaranty, etc. The island is also a significant refining center for Saudi crude. Much of the oil refined in Bahrain

¹⁵²Peterson, J.E. Defending Arabia. St. Martin's Press. New York. 1986. p.221.

¹⁵³Peterson, J.E. Defending Arabia. St. Martin's Press. New York. 1986. p.221.

¹⁵⁴McNaughton, Thomas L. Arms and Oil. The Brookings Institution. Washington, D.C. 1985. p.101.

is sold to the US 7th Fleet, which is also based at Jufair¹⁵⁵. The US B-52 forward base at Diego Garcia was beefed up in the early 1980s. And Egyptian and Pakistani Air Forces, which the GCC relies upon heavily, were supplied with new F-16 fighters from Northrop Corporation¹⁵⁶. The French placed Mirage fighters at bases in Djibouti, the British added Tornados in Oman and the NATO alliance fortified their bases in Turkey.

Omani and Egyptian armies regularly conduct joint exercises with US troops¹⁵⁷. Oman, in the words of former Secretary of State (and now Chevron director) George Schultz, "is cooperating closely with the US toward our common goal of maintaining stability and security in the Gulf."¹⁵⁸

Between 1977 and 1987 \$34 billion in arms flowed into the Gulf region, more than supplied the rest of the Third World combined¹⁵⁹. US advisers, who had already visited Saudi Arabia, introduced AWACS and F-15s to Qatar and Kuwait. And following the Gulf War President Bush, after first announcing a plan to limit arms sales to the region, requested that Congress approve the sale of Apache attack helicopters to both Bahrain and Kuwait.

¹⁵⁵Peterson, J.E. Defending Arabia. St. Martin's Press. New York. 1986. p.117.

¹⁵⁶Albert, David. Tell the American People: Perspectives on the Iranian Revolution. Movement for a New Society. Philadelphia. 1980. p.24.

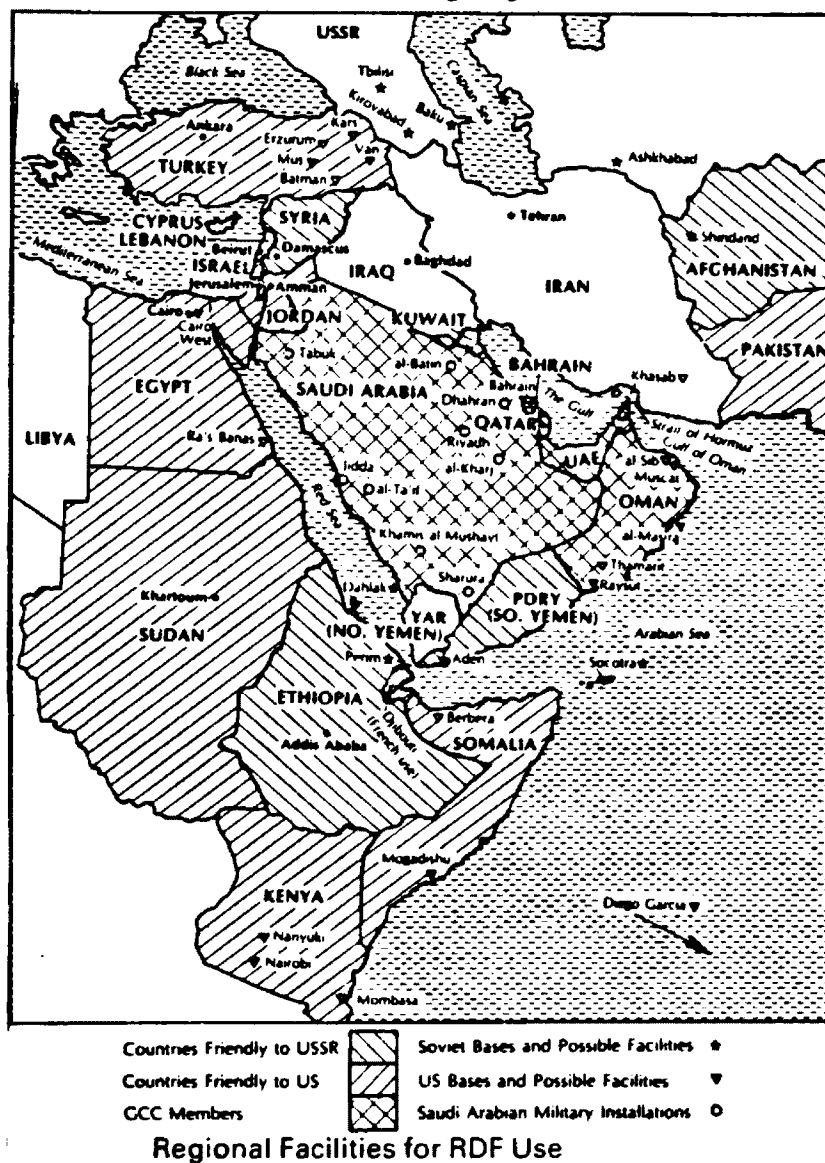
¹⁵⁷McNaughten, Thomas L. Arms and Oil. The Brookings Institution. Washington, D.C. 1985. p.17.

¹⁵⁸Peterson, J.E. Defending Arabia. St. Martin's Press. New York. 1986. p.7.

¹⁵⁹Pratton, Christine & Doug Henwood. "Meet the New World Order", Left Business Observer. January 26, 1991. #43. p.2.

Before the Gulf War, 15% of the annual US military budget was being spent on US troops stationed in the Middle East. That figure has only become larger since Table 9

The Gulf and Surrounding Region



the Gulf war¹⁶⁰. Saudi Arabia, which obtained approximately one-half of its weaponry from the US, boasts the highest per capita defense spending in the world. In 1984 alone the Saudis spent \$22.7 billion on US weaponry¹⁶¹.

Interestingly, the US has been careful not to allow Saudi personnel to become proficient in the control of advanced weapons systems. The most sophisticated weapons systems are still monitored by US Forces. At Riyadh, for example, US CENTCOM is in charge of monitoring AWACS and tanker aircraft traffic¹⁶². All together, there are 6000 Americans working in the Saudi arms industry, many of whom hold key positions.

Another US policy which keeps the GCC dependent on US weaponry and personnel is to disallow the licensing of high-tech arms production outside the NATO and Pacific Alliance. So the GCC cannot produce its own weaponry. They must buy it from the West--and predominantly from the US. Spare parts for GCC weaponry are only available on a US schedule¹⁶³. These technological dependencies insure a perpetuation of the arms for oil quid pro quo, through which the US is able to obtain cheap oil for industry and correct its trade balance.

¹⁶⁰McNaughten, Thomas L. Arms and Oil. The Brookings Institution. Washington, D.C. 1985. p.137.

¹⁶¹Peterson, J.E. Defending Arabia. St. Martin's Press. New York. 1986. p.57.

¹⁶²Peterson, J.E. Defending Arabia. St. Martin's Press. New York. 1986. p.193.

¹⁶³Choudhry, Raj. The Gulf: Scramble for Security. Sreedhar. Dehli. 1983. p.57.

With the development of the Rapid Deployment Force, US strategy shifted somewhat. Our objective throughout the early 1980s was to retain a low profile military presence via fallback bases. This, again, reflected lessons learned from the Vietnam War. We did not want to alarm Israel or the rest of OPEC, and we had learned that the potential for nationalist uprisings was increased by the obvious presence of US troops.

On the other hand the US wanted to impress upon the radical nations of OPEC that our willingness to defend Saudi Arabia was etched in stone. And as the 1980s progressed the Kissinger Doctrine, which emphasizes more direct, hands-on US military operations, began to increasingly show itself in the Reagan Administration's foreign policy. Primary to this policy was the establishment of the GCC as a regional resource security system.

Beginning with the construction of the Dhahran Air Base, the US Army Corps has made a conscious effort to overbuild the Saudi military infrastructure beyond absorption capabilities. This provided the US with an accessible military arsenal for possible US interventions in the Gulf Region. This is one of many reasons why the US based operations in the kingdom during the war against Iraq.

Last year British Aerospace finalized a contract to build Saudi bases in 1990, after the Israeli lobby in the US Congress vetoed a \$21 billion Saudi defense package that included F-15s, Apache helicopters and M-1 tanks. The British sold the Saudis Tornado Fighters instead and much of the cost was again covered by the Saudi's selling cheap crude.

British Aerospace had bought Ballast Nedam, a Dutch construction company with Saudi ties, a year earlier to help secure the deal. Ballast Nedam had built the Bahrain-Saudi bridge¹⁶. The British made \$60 billion off the deal, making it the largest sale ever by a western country. In November 1990, President Bush requested a smaller military aid package for the Saudis, in hopes that the strong Israeli Lobby in the US Congress would at least pass it.

Regime of International Capital Accumulation

The vulnerability of RICA interests in the Gulf oilfields had become obvious as the destabilizing events of 1979 unfolded. Individual resource security states could no longer be entrusted to guard so precious a resource as oil. It is illustrative of a larger crisis of world capitalism that it became necessary for RICA to create a more comprehensive and manageable regional resource security apparatus to safeguard its continued access to cheap oil in the Gulf Region, through the creation of the GCC.

The Iran/Iraq War

Gulf Cooperation Council

The Iran/Iraq war served as a test case for the critical transition between RICA's strategy of exploitation of resources via resource security states and RICA's new, more comprehensive and more manageable strategy of the exploitation of Gulf oil through the GCC regional resource security system.

As mentioned earlier, Zbigniew Brzezinski had met with Saddam Hussein, the Kuwaiti emir and Saudi officials in Kuwait City in 1979

¹⁶Frenchman, Michael. "Different Direction for Growth: Defense Off-set Deals", The Oil Daily. November 12, 1990. p.C-8.

to arrange Saudi and Kuwaiti funding for Saddam's invasion and subsequent amputation of Iran's Khuzistan region. In turn Saddam was promised control of the strategic Shatt-al-Arab waterway, over which Iran and Iraq had always quarrelled. President Jimmy Carter himself had given Hussein the green light to invade through the Saudis¹⁶⁵.

From 1982 until the war ended Kuwait, Saudi Arabia and the UAE provided interest-free loans to Iraq. Kuwait and Saudi Arabia alone sent Iraq over \$60 billion in aid¹⁶⁶. In addition, Kuwait, UAE and Jordan all made their ports available to the Iraqi Navy. And both the Saudis and Oman provided landing rights for Iraqi MIG-27 fighters.

Throughout the war the US gave some lip service to supporting Iraq, but actual US policy during the war was much more complex. Journalist Larry Everest recalls a 1979 memo from Zbigniew Brzezinski to President Jimmy Carter in which Brzezinski terms the Iran/Iraq conflict, "a unique opportunity to consolidate our security position."¹⁶⁷ In addition, then-Carter National Security Staffer Gary Sick at the time stated, "The US has resisted moves in the United Nations towards a negotiated settlement of the

¹⁶⁵Everest, Larry. "The Gulf between Pretense and Reality", In These Times. July 20, 1988. p.8.

¹⁶⁶Ahmad, Eqbal. "Nightmare Victory", Mother Jones. March/April 1991. p.6.

¹⁶⁷Everest, Larry. "The Gulf between Pretense and Reality", In These Times. July 20, 1988. p.8.

tanker war. And so has Iraq."¹⁶⁸

It was, in fact, Iraq which had initiated the attacks on Kuwaiti oil tankers after the US Navy began re-flagging them in 1984. Secretary of Defense Caspar Weinberger characterized the re-flagging as a "trade-off for basing rights" in the emirates. By 1987 the Iraqis had damaged 219 tankers¹⁶⁹.

Meanwhile the US and Israel set out to arm the Iranians. In 1980--then Reagan campaign manager and later CIA Director--William Casey led a delegation to a Madrid meeting set up by Iranian arms dealer Jamshid Hashemi. There Casey agreed to let the Iranians buy US arms and promised to release Iranian assets frozen by US banks (mostly Chase Manhattan) if Tehran would delay the release of US hostages until after Reagan's election¹⁷⁰. The 52 hostages seized in the 1979 takeover of the US embassy in Tehran were released within minutes of Reagan's election¹⁷¹. In 1981 Jamshid Hashemi bought a Greek freighter and made four trips between the Israeli port of Eilat and the Iranian port of Bandar Abbas. The cargo consisted of \$150 million in weapons and

¹⁶⁸Everest, Larry. "The Gulf between Pretense and Reality", In These Times. July 20, 1988. p.9.

¹⁶⁹Everest, Larry. "The Gulf between Pretense and Reality", In These Times. July 20, 1988. p.9.

¹⁷⁰"Ex-Arms Dealer Says Casey Cut Deal with Iran", Spokane Spokesman-Review. June 21, 1991. p.1.

¹⁷¹"Ex-Arms Dealer Says Casey Cut Deal with Iran", Spokane Spokesman-Review. June 21, 1991. p.A-9.

ammunition produced by Israeli Defense Industries under US license¹⁷². Meanwhile, the CIA provided the Ayatollah with a list of Tudeh Party members and other Iranian leftists, many of whom were later summarily executed¹⁷³.

Throughout the Iran/Iraq war US intelligence officials were attempted to establish relations with more moderate elements within Iran. Lt. Col. Oliver North had secretly met with Iranian officials, telling them that, "Saddam must go." This is consistent considering that an important part of the US Navy's mission in the Gulf was to pressure Iran back into the Western camp, while preventing an Iranian victory¹⁷⁴. For that matter the US did not want either side to score a decisive victory which would leave the winner poised to take on the Saudis. Conversely, a staggering defeat to either Iran or Iraq could create internal revolutionary potential and increased Soviet influence.

The US Navy's Gulf tanker escorts were also intended to strengthen ties with GCC allies, while at the same time the increase in US forces in the region allowed for the modernization of US military installations¹⁷⁵. US Navy flotillas passed through the Straits of Hormuz and into the Persian Gulf at an accelerated rate

¹⁷²"Ex-Arms Dealer Says Casey Cut Deal with Iran", Spokane Spokesman-Review, June 21, 1991. p.1.

¹⁷³Prados, John. President's Secret Wars: CIA and Pentagon Operations from WWI Through Iranscam. Quill William Morrow. New York. 1986. p.378.

¹⁷⁴Everest, Larry. "The Gulf between Pretense and Reality", In These Times, July 20, 1988. p.18.

¹⁷⁵Everest, Larry. "The Gulf between Pretense and Reality", In These Times, July 20, 1988. p.10.

during 1987, as the US positioned itself for war.

Nothing could have been more beneficial for the GCC states than the complete decimation of the oil infrastructure of both Iran and Iraq. The two countries had been the only OPEC nations able to challenge Saudi dominance of OPEC. And both countries were now hotbeds for Arab nationalism. Iran had joined Algeria, Syria and Libya in denouncing the Saudi regime as a US puppet.

Israel, too, would benefit from the destruction of the two nations. The Iraqi Republican Guard were a well disciplined force capable of potentially defeating the Israeli army in a ground war. And Iraq's MIG-27s made Israel exceedingly nervous. The Iranian military, which the US had fortified during the Shah's reign, was also a formidable regional military force¹⁷⁶. The worst-case scenario for both Saudi Arabia and Israel would be an alliance between Iran and Iraq. In 1981 the Israelis, seized the opportunity provided by the Iran/Iraq War to bomb Iraq's lone nuclear reactor.

The Iran/Iraq conflict was a war of attrition. It was the first time in the history of regional conflict that the primary targets were economic. Each side suffered between \$25-35 billion in damages. The Iraqis devastated Iran's largest port at Khorramshahr, disrupting oil exports and depleting Iran of needed foreign exchange¹⁷⁷. Iraqi MIGs strafed the refineries at Abadan and Ahwaz on the Shatt-al-Arab. Iran was literally de-modernized

¹⁷⁶Everest, Larry. "The Gulf between Pretense and Reality", In These Times. July 20, 1988. p.8.

¹⁷⁷Bakhash, Shaul. The Reign of the Ayatollahs: Iran and the Islamic Revolution. Basic Books, Inc. New York. 1984. p.193.

by the war.

Iraqi oil exports were also curtailed, allowing the GCC (primarily the Saudis and Kuwaitis) to step up production and shipments of crude, much of which was being shipped out of the Gulf with US Navy escort. There is some indication that the Americans were also directing Saudi security during the war¹⁷⁶. Iran responded to this economic destabilization by dropping NIOC's (National Iranian Oil Corporation) posted price on Iranian crude by \$5/barrel, in an attempt to pressure the Saudis to decrease production. The Iranians completed numerous "under the

Table 10

OPEC Member Countries' Oil Exports as a Percentage of Total Exports

	1982	1983	1984	1985	1986	1987	1988
ALGERIA	81.9	84.8	77.5	71.4	64.9	70.4	67.4
ECUADOR	64.8	73.8	70.0	66.3	45.2	35.8	44.5
GABON	83.4	82.6	83.4	83.5	56.9	69.7	66.6
INDONESIA	68.2	64.1	57.0	48.9	37.2	35.9	26.7
IR. IRAN	99.0	99.2	98.7	98.4	86.3	90.0	89.9
IRAQ	99.5	99.0	99.6	99.6	99.1	99.1	99.1
KUWAIT	80.5	84.1	87.5	93.6	88.0	90.0	87.9
S.P. LIBYAN A.J.	96.7	96.4	96.5	96.3	95.7	96.2	96.2
NIGERIA	98.0	97.0	98.8	98.3	97.7	96.4	83.9
QATAR	94.6	93.0	97.2	99.0	93.0	92.2	91.4
SAUDI ARABIA	95.5	93.3	91.3	89.9	87.1	85.3	86.4
UNITED ARAB EMIRATES	84.2	79.5	81.2	80.2	73.6	87.9	80.0
VENEZUELA	94.7	92.0	90.2	84.4	86.8	82.8	84.8
AVERAGE OPEC	90.6	88.3	86.1	84.3	76.7	77.6	73.9

¹⁷⁶Choudhry, Raj. The Gulf: Scramble for Security. Sreedhar. Dehli. 1983. p.108.

table" deals with non-aligned customers, including many with India, Iran's biggest buyer. But the majors were able to stockpile cheap GCC crude and, in the end, the non-aligned nations were devastated along with their Iranian supplier¹⁷⁹. Led by the Saudis, the GCC created an oil glut which made it difficult for both Iran and Iraq to reenter the market or rebuild infrastructure.

Meanwhile, the US was denying spare military parts to both Iran and Iraq throughout the conflict. The US had supplied Iran with an arsenal of weaponry of during the reign of the Shah, but had not trained Iranian personnel on the most advance weaponry or supplied the Iranians with spare parts.

When Saddam Hussein invaded Khuzistan, Iraq had some \$40 billion in hard currency reserves. By the end of the Iran/Iraq War, Iraq owed the Saudis and Kuwaitis \$120 billion¹⁸⁰. Furthermore, due to the resilience of the revolutionaries in Khuzistan, he had not gained control over the Shatt-al-Arab as Brzezinski had assured him he would. The question of Iraqi access to the Persian Gulf, to which the British transformation of Basrah region into Kuwait had always been central, was left unresolved. And Saudi predominance within OPEC had been reassured.

Still, despite the immensity of Saddam's debt to the GCC regional resource security system, Iraq had retained much of its military power. With the question of Kuwait unresolved and Iraq's

¹⁷⁹Everest, Larry. "The Gulf between Pretense and Reality", In These Times. July 20, 1988. p.11.

¹⁸⁰Shoenman, Ralph. Iraq and Kuwait: A History Suppressed. Veritas Press. Santa Barbara, CA. 1990. p.21.

military machine fine tuned, Iraq represented a clear threat to RICA. And so, RICA set out to attempt to lure Iraq into the fold of world capitalism.

CHAPTER 5

The Gulf War

"It is most likely that the US plan from the beginning was to capture Southern Iraq because that land holds the richest oil fields on earth."

-David Mangan Jr./Editor of The Oil Daily

"The trick in the Middle East is to keep it stirred up."

-Ralph Lewis/Senior Consultant for Chevron

"What we had before the war was a special relationship with Saudi Arabia. Now we have a more special relationship."

-Daniel Yergin/Oil Historian

"The United States wants maximum tension between Mideast OPEC countries."

-Excerpt from Council on Foreign Relations publication,
"The Middle East in the New World Economic Order"

"War is business and business is good."

-Edwin Wilson/former CIA arms dealer
now serving a life sentence in Marion
prison for selling arms to Libya

"What further bloodshed do these barbarians of the 20th century need? I thought the Americans had changed since Vietnam...but no, they never change. They remain true to themselves."

-Victor Filatov, Russian journalist reporting
from post-war Baghdad in Sovetskaya Rossiya

Immediately following the Iran/Iraq war, under pressure from international creditors, most notably Saudi Arabia and Kuwait, Iraq embarked upon a sweeping economic liberalization program. The immense debt which Iraq incurred as a result of the Iran/Iraq war had placed the Iraqis squarely under the thumb of GCC

creditors, who on behalf of RICA, seized the opportunity to attempt to reintegrate Iraq's state-run economy back into the system of global capitalism. RICA had long wanted to break Iraq of its renegade attitude towards international capital. Now they would offer Hussein the "carrot" of additional international funding if he would take his proper place under the wing of RICA.

Iraq's agricultural sector was denationalized, labor unions were abolished and foreign investment, which had been virtually banned since 1964, began to flow into the country. Local elites bought up previously state-owned factories¹⁸¹.

To facilitate RICA's attempts to bring Iraq back into its camp, the US/Iraq Business Forum was established in 1989 with the help of Kissinger Associates (a private multinational consulting firm founded by Henry Kissinger whose directors have included Lawrence Eagleburger and Brent Scowcroft, now both close foreign policy confidants of President George Bush at the State Department and National Security Agency respectively). The US/Iraq Business Forum included such multinationals as Bechtel Corporation, Fluor Daniel, Occidental Petroleum, Westinghouse and AT&T¹⁸². In 1989 Banca Nazionale del Lavoro (BNL), an Atlanta-based bank which is owned by the Italian government, approved \$3 billion in unauthorized loans to Iraq. That same year BNL had conducted a series of money transfers with the Bank of Credit and

¹⁸¹"Ex-Arms Dealer Says Casey Cut Deal with Iran", Spokane Spokesman-Review, June 21, 1991. p.16.

¹⁸²Corn, David. "Gonzalez's Discovery", The Nation, May 13, 1991. p.620.

Commerce International, which had been the main laundering instrument for Manuel Noriega's cocaine revenues. Henry Kissinger, a powerful player in RICA strategy-making, is also a member of the BNL consulting board, along with David Rockefeller¹⁸³.

Despite such efforts by RICA, the pressures brought about by Iraq's abrupt transformation from a predominantly state-run economy to one open to the fickle whims of international market mechanisms, when combined with the devastation wrought by the Iran/Iraq war, left Iraq's economy devastated¹⁸⁴.

The Question of Kuwait

Iraq had always thought of Kuwait as Basrah Province. Many times Iraqi leaders had challenged the colonial British-French Sykes-Picot Agreement which made Kuwait a British protectorate. Ralph Shoenman's book, Iraq and Kuwait: A History Suppressed provides an insightful chronology of these challenges and the response of the RICA. In the mid-1950s General Nuri es-Said supported the US and British instigated Baghdad Pact, but later pushed the demand that Kuwait be incorporated into Iraq¹⁸⁵. He also hatched the Fertile Crescent scheme which led to the

¹⁸³Corn, David. "Gonzalez's Discovery", The Nation. May 13, 1991. p.620.

¹⁸⁴Chaudrey, Kiren Aziz. "On the Way to Market: Economic Liberalization and Iraq's Invasion of Kuwait", Middle East Report. May-June 1991. p.15.

¹⁸⁵Shoenman, Ralph. Iraq and Kuwait: A History Suppressed. Veritas Press. Santa Barbara, CA. 1990. p.15

formation of the Arab League in 1945¹⁰⁴. But es-Said was still a monarch whom Iraqi's increasingly radicalized populace came to view as a Western puppet¹⁰⁷. In 1958 es-Said was deposed in a palace coup by a group of nationalist Army officers led by Abdul Karim Qassim. There is some evidence that the US and Britain allowed Qassim to take power in order to appease Iraqi nationalists because Qassim was seen as "containable."¹⁰⁸ At any rate, it was the radicalized Iraqi populace which moved Qassim left; he too would call for the incorporation of Kuwait into Basrah Province.

But when Qassim lifted the ban on the Iraqi Communist Party, RICA lost its patience. In 1960, Sidney Gottlieb of the CIA's Technical Services Division launched an effort to assassinate Qassim. By 1963, Bruce Odell of the CIA had arranged an airlift of arms to a cell of coup plotters in Iraq, consisting of right and centrist factions of the Ba'ath Party. The point-man for Odell and the CIA, whose rightist faction would emerge after finally assassinating Qassim in 1963, was Saddam Hussein¹⁰⁹.

Throughout the 70s Iraqi President al-Bakr attempted to negotiate with the now independent Kuwaiti government. But each time the Kuwaitis refused to give any ground. The CIA funneled

¹⁰⁴Hurewitz, J.C. Diplomacy in the Near and Middle East: A Documentary Record: 1914-1956. D. Van Nostrand Company, Inc. Princeton. 1956. p.236.

¹⁰⁷Shoenman, Ralph. Iraq and Kuwait: A History Suppressed. Veritas Press. Santa Barbara, CA. 1990. p.12.

¹⁰⁸Shoenman, Ralph. Iraq and Kuwait: A History Suppressed. Veritas Press. Santa Barbara, CA. 1990. p.12.

Iraq and Kuwait: A History Suppressed. Veritas Press. p.14.

arms to the Kurds through the Shah of Iran in attempts to destabilize the al-Bakr regime. And after a 1975 attempted coup on the al-Bakr government failed, Iraqi police claim to have found US banknotes in the possession of the collaborators¹⁹⁹.

For the past four decades RICA has struggled to contain Iraqi nationalism. Though in the short term, RICA was able to manipulate Iraq's internal politics via the establishment of temporary puppet regimes, they were never able to contain the widespread radicalism which existed throughout the Iraqi populace. It is in this context that RICA enlisted the GCC, which in its both dispensable (in the long term) and indispensable (in the short term) role as regional resource security system, would continually launch destabilization attempts against Iraq throughout the 1980s.

The Economic Destabilization of Iraq

Shoenman's book also details the economic destabilization of Iraq which led to the Iraqi invasion of Kuwait in August 1990. While Saddam was preoccupied with the Iranians, the Kuwaitis slowly began to move their border with Iraq northward into the area occupied by the great Rumaila oil field. There the Kuwaitis established military installations, farms and oil facilities. The "expansion" added 900 square miles to Kuwait and gave them control of the southern portion of Rumaila, which contains the largest

¹⁹⁹Shoenman, Ralph. Iraq and Kuwait: A History Suppressed. Veritas Press. Santa Barbara, CA. 1990. p.20.

portion of the field's oil¹⁹¹.

In the early 1980s, the Kuwaiti emir bought Sante Fe Drilling Corporation of Alhambra, CA for \$2.3 billion. Sante Fe is noted for its high-tech slant drilling capabilities. Throughout the 1980s, the Kuwaitis proceeded to drill deep into Rumaila. Iraq would later accuse the Kuwaitis of stealing \$1.4 billion worth of oil from Rumaila¹⁹².

In late June of 1990, Iraq's Ambassador to the United States, Mohammed Al Moshat, appearing live on Cable News Network (CNN), talked about US/Kuwaiti collaboration in the destabilization of Iraq's economy. Moshat stated:

I have documents written by the CIA, detailing an economic destabilization program against Iraq involving Kuwaiti State Security (KSS). On November 14, 1989, CIA Director William Webster invited KSS officials to Washington to plan this destabilization effort.¹⁹³

Moshat then read verbatim from the CIA document, which stated:

It is important to take advantage of the deteriorating economic situation in Iraq in order to put pressure on Iraq to delineate border situation. Broad cooperation should be initiated between us (US and Kuwait). The CIA will also train 128 elite Kuwaiti forces to protect the al-Sabah family. And we will help automate functions of the State Security Department and facilitate the exchange of information with Syria and Iran.¹⁹⁴

Moshat also stated that much of Kuwait's wealth is still

¹⁹¹Shoenman, Ralph. Iraq and Kuwait: A History Suppressed. Veritas Press. Santa Barbara, CA. 1990. p.18.

¹⁹²Shoenman, Ralph. Iraq and Kuwait: A History Suppressed. Veritas Press. Santa Barbara, CA. 1990. p.18.

¹⁹³Cable News Network. Headline News. June 26, 1990.

¹⁹⁴Cable News Network. Headline News. June 26, 1990.

derived from the bankrolling of Pakistan-based mujahadeen rebel heroin trafficking in the Golden Crescent region made up of Iraq, Iran, Pakistan and Afghanistan. The mujahadeen rebels were supported throughout the 1980s by RICA. The CIA's covert support for the rebels has been their largest such operation since Vietnam.

In July of 1990 OPEC held a meeting where it was agreed that each country would lower their production rates to avert a further drop in oil prices. The day after the meeting, Kuwait publicly announced that it had changed its mind and would increase production. They flooded an already overloaded market with \$13.25/barrel "Kuwaiti Export" crude¹⁹³.

Within three months Iraqi crude went from \$28/barrel to \$11/barrel, resulting in a loss of \$14 billion in oil revenues. Iraq's economy, already reeling under mountains of debt incurred from the Iran/Iraq War, was desperately in need of the foreign currency which oil provided to rebuild their war-torn economy. While Iraq had been the only OPEC country to increase the value of their exports in the 1980s, they were also the most dependent of the OPEC nations on oil exports, earning 99.1% of export revenue from the sale of oil in 1988¹⁹⁴. Iraqi Foreign Minister Tariq Aziz would later conclude, "It is inconceivable that a regime such as that in Kuwait could risk engaging in a conspiracy of such magnitude

¹⁹³Shoenman, Ralph. Iraq and Kuwait: A History Suppressed. Veritas Press. Santa Barbara, CA. 1990. p.23.

¹⁹⁴OPEC Annual Report. General Secretariat. Vienna, Austria. 1989. p.8.

against a large, strong country such as Iraq if it were not being supported by a great power, and that power is the United States of America."¹⁹⁷

The destabilization of Iraq's economy and the subsequent theft of its oil from Rumaila by the Kuwaitis represents a manifestation of the GCC as a regional resource security system, carrying out a destabilization campaign against Iraq on behalf of RICA and with the essential backup support of the US military machine, which has been Hessianized to the role of RICA's police force. RICA had given up on bringing Iraq back into the capitalist fold. And a full scale war was the only remaining solution.

ARAMCO Expands

It was in 1988 that ARAMCO first announced its intention to pair up with the international major oil companies to build downstream ventures. On March 21, 1990 in Houston, Texas, there was a low-profile meeting between ARAMCO officials and executives from the world's six largest construction companies--Bechtel, Fluor Daniel, Foster Wheeler, MW Kellogg, ABB and Lummus Crest. All are US corporations, with the exception of Foster Wheeler, which is a US-based subsidiary of a British company.

At the gathering, ARAMCO unveiled plans for a major domestic expansion plan of the Saudi Arabian oil industry, which would be worth \$10-15 billion in contracts to the construction firms. The

¹⁹⁷Shoenman, Ralph. Iraq and Kuwait: A History Suppressed. Veritas Press. Santa Barbara, CA. 1990. p.21.

expansion would increase refinery capacity at Ras Tanura by 25% and ensure Saudi hegemony over oil prices¹⁹⁸.

In July, Fluor Daniel--the biggest of the companies and a veteran of ARAMCO's expansion following the 1973 embargo--received the biggest contract, which also positioned Fluor to undertake any oilfield reconstruction which might result from the looming prospect of war¹⁹⁹. Kuwaiti officials had also talked to Fluor before the war ever began, but instead the Kuwait Petroleum Company chose Bechtel as the contractor for oilfield reconstruction resulting from the war²⁰⁰.

Bechtel is a private firm, closely held by the San Francisco-based Bechtel family. It too played a major role in ARAMCO's post-embargo expansion. Bechtel, along with Bethlehem Steel, also built the oil infrastructure of Libya and Kuwait²⁰¹. The company maintains close ties to the US intelligence community. Reagan Cabinet members Caspar Weinberger, George Schultz and Kenneth White all served as Bechtel directors; as did John McGlone, CIA Director under President Kennedy²⁰². The opportunity to rebuild

¹⁹⁸Rossant, John. "The Saudis Make Ready to Open the Spigots", Business Week. April 2, 1990. p.32.

¹⁹⁹Marcial, Gene. "If a Shooting War Breaks Out, Fluor Will Win", Business Week. December 10, 1990. p.209.

²⁰⁰Shao, Maria. "A Bonanza for Bechtel?", Business Week. May 6, 1991. p.36.

²⁰¹Rand, Christopher. Making Democracy Safe for Oil: Oilmen and the Islamic East. Little, Brown & Co. Boston. 1975. p.172.

²⁰²McCartney, Laton. Friends in High Places: The Bechtel Story: The Most Secret Corporation and How it Engineered the World. Ballantine Books. New York. 1989. p.36.

Kuwait is a goldmine for Bechtel, which experienced a slight decline in the 1980s.

The Saudi expansion commenced and by August 1, 1990 the Saudis were producing 5.3 million barrels/day. Throughout the war Saudi production increased, peaking at 8.5 million barrels/day. The Saudi increase represented 50% of the world increase in production during the war. Meanwhile the international major oil companies were also expanding operations. Shell, for example expanded its refinery at Tabangao in the Philippines in December 1990²⁰³.

This expansion of RICA's oil throughput capabilities must be seen in the context of RICA's growing reliance on the GCC, and particularly the Saudis, in providing cheap oil for its global downstream activities. The expansion took place on the eve of a war during which even the expanded refineries as Ras Tanura could not pump out refined product fast enough to fully supply US military needs. The expansion must also be seen as congruent with a parallel growth in US military presence in the region since 1986. These factors indicate a certain preparedness by RICA for a war with Iraq should Iraq not come back under RICA's wing peacefully. It also indicates a posturing by the multinational tentacles of RICA, who wanted to be ready to rake in the exorbitant profits which only a major war can afford.

Oil and Arms Pirates

²⁰³"Pilipinas Shell Petroleum Corp." Oil & Gas Journal. December 17, 1990. p.32.

Construction firms weren't the only US multinationals to reap record profits from the Gulf War. US oil companies and high-tech defense contractors also fared well. The defense contractors--led by Raytheon, manufacturer of the Patriot missile and numerous other high-tech weapons systems--received hours of free advertising for the alleged pinpoint accuracy of their respective high-tech wonders, though later the Pentagon had to admit that hardly any of the Iraqi Scud missile warheads were actually diverted from their trajectory by Patriot missiles.

High-tech defense stocks surged during the war and prospects for international sales remain strong. The new "reduced" US defense budget for 1991 is largely a result of personnel cuts due to the closure of several US military bases. But the budget did not include costs incurred by the Gulf War. In addition, the Pentagon has set aside \$16.2 billion in "off-budget" post-war expenses. The high-tech defense industry, which the US clearly dominates, clearly received a shot in the arm from the war. The recent awarding of contracts to a consortium led by Lockheed to build a new advanced tactical fighter (ATF) is but one indication that the high-tech defense industry received a boost from the Gulf war.

The Saudis had purchased at least \$13 billion worth of weapons to prepare the Kingdom for war. And now both the British and the US are proposing new sales of weaponry to the Saudis, the

UAE, Kuwait and Bahrain²⁸⁴. Already General Electric and Hughes Aircraft (a division of General Motors) have been awarded GCC defense contracts²⁸⁵.

The oil companies have traditionally made exhorbant profits in times of crisis. The myth of scarcity works to their advantage in driving the price of oil higher and allowing for an increase in profit margins. Profits, then, began to accumulate for the majors by the third quarter of 1990. In the fourth Quarter of 1990, 19 of the top 20 oil companies showed an average profit increase over the same period of 1989 of 281%. Chevron, which apparently supplied much of the fuel needed by allied forces, showed a 651% increase over the same period of 1989²⁸⁶. And in the first three months of 1991, while the war was in full swing, Exxon netted \$2.4 billion, its biggest single quarter profit since John D. Rockefeller founded Standard of New Jersey in 1882. Mobil and Amoco profits were also up over 70%. Since 1989 the top 11 oil companies have increased profits by 157%. In 1990, ten of the top twenty-three oil companies established new "peak asset" levels²⁸⁷.

The war also helped consolidate the majors' position of power vis-a-vis independent oil companies. While the majors enjoyed

²⁸⁴Sadowski, Yahya. "Power, Poverty and Petrodollars: Arab Economies after the Gulf War", Middle East Report, May-June 1991. p.5.

²⁸⁵Wald, Matthew. "Gulf Victory: An Energy Defeat?", New York Times, June 18, 1991. p.C-3.

²⁸⁶Karier, Thomas. "Oil Companies' Embarrassment of Riches", In These Times, February 6-12, 1991. p.2.

²⁸⁷"Exxon, Mobil, Amoco, Conoco and Hess Report Whopping Earnings", National Petroleum News, June 1991. p.8.

astronomical profit margins during the war, the independent companies, who were not able to pick up much international business because they are not vertically integrated, actually saw profits decline. Sun Oil, American Petrofina, ARCO and Coastal all reported profit declines

Table 11 / Table 12

Saudi Arabia's Role as Crude Oil Supplier to U.S. in '9						
(In Barrels per Day)						
Company:	1st Qtr.	2nd Qtr.	July	August	Year-to-Date	U.S. Refining Capacity
Texasco/Star	540,811	544,637	556,935	525,645	542,368	615,000
Chevron	140,967	129,143	101,484	81,677	123,938	1,621,000
Exxon	7,344	6,154	56,806	79,290	22,387	1,147,000
Ashland	142,911	128,297	153,968	146,903	139,358	346,500
Marathon	118,156	84,769	150,258	47,903	100,786	553,000
Fina	5,656	0	0	0	2,095	165,000
Lyondell	45,111	10,824	0	0	20,761	290,000
Amoco	35,044	49,659	48,323	62,548	45,720	984,000
Sun	61,244	54,868	0	32,968	47,436	510,000
Phillips	47,422	11,835	60,677	59,742	37,358	305,000
Mobil	0	6,132	53,000	46,613	15,004	838,000
Amerasia Hess	0	31,242	0	46,065	17,576	520,000
Others	10,589	3,912	10,258	0	6,695	---
Grand Total*	1,155,256	1,061,473	1,191,710	1,129,355	1,121,481	7,894,500

* Total imported from Saudi Arabia. Capacity totals for companies listed.

Corporate Earnings, First-Quarter 1991			
(millions of dollars)			
	1st Qtr. 1991	1st Qtr. 1990	% Chng.
Exxon	\$2,240.0	\$1,280.0	75.0%
Mobil	710.0	400.0	77.5
Chevron	557.0	473.0	17.8
Amoco	803.0	466.0	72.3
Shell	125.0	253.0	(58.4)
Texasco	415.0	328.0	26.5
Arco	351.0	582.0	(40.7)
BP America	NA	NA	—
Phillips	180.0	259.0	(38.2)
Conoco	322.0	197.0	63.5
Marathon	71.0	82.0	(13.4)
Unocal	75.0	77.0	(2.6)
Coastal	54.3	75.6	(28.1)
Amerasia Hess	73.7	90.7	(19.7)
Sun	41.0	71.0	(42.3)
Pennzoil	22.0	32.7	(32.7)
Ashland *	26.8	0.9	—
Kent-McGee	29.7	27.1	9.6
American Petrofina	8.3	28.2	(68.3)
Citgo	NA	NA	—
Murphy	25.6	22.0	16.4
Total Petroleum	(10.7)	(12.3)	—
Oil Shamrock	4.3	4.3	0.0

* Second quarter, fiscal ends 9/30.

Downstream: Everything's Sailing High			
(millions of dollars)			
Exxon (total)	\$1,353.0	\$191.0	808.0%
Domestic	256.0	(28)	—
Foreign	1,097.0	219.0	401.0
Mobil (total)	442.0	92.0	380.0
Domestic	100.0	39.0	156.0
Foreign	342.0	53.0	545.0
Chevron (total)	192.0	156.0	23.0
Domestic	99.0	58.0	68.0
Foreign	93.0	97.0	(4.0)
Amoco (worldwide)	214.0	129.0	66.0
Shell	4.0	(21)	—
Texasco (total)	271.0	166.0	63.0
Domestic	60.0	30.0	100.0
Foreign	211.0	136.0	56.0
Arco	74.0	72.0	3.0
Conoco	NA	NA	—
Marathon	102.0	77.0	32.0
Sun	38.0	25.0	52.0

throughout the war. The only independents who fared well were CONOCO and Amerada Hess, both of whom control portions of oil companies in the United Arab Emirates²⁰⁰.

The Gulf War represents a power play by the United States, desperate to reassert itself in the RICA's global order. By playing out their trump cards of military might as well as predominance within the oil and heavy construction industries, the US proved once again the old adage that in America, home to a military-industrial complex unprecedented in the history of mankind, war really is good for the economy. At least for the position of the US in the global economy.

"Off-setting" GCC Oil Revenue

The record profits accumulated by US corporations as a result of the war are instructive of what appears to have been a fundamental, if hidden, objective of the Gulf War: to off-set the imbalance in the US/GCC trade balance produced by GCC oil revenue. By selling the seldom-used commodity of weaponry, which the US offers as its prized contribution to the global marketplace, to the GCC, the US can off-set the costs incurred through its dependency on GCC oil. In a more global sense, by pumping up the three above-mentioned industries which US multinationals clearly dominate, the US was able to regain some of its lost financial might in relation to Western Europe and Japan, which had both surpassed the US as

²⁰⁰"Exxon, Mobil, Amoco, Conoco and Hess Report Whopping Earnings", National Petroleum News, June 1991. p.10.

suppliers of industrial and consumer goods to global markets, but which lag far behind in the defense, oil (with the exception of Britain) and heavy construction industries²⁰⁹.

The Bush Administration, playing off the sentiment of Congressional Democrats whose major complaint was the cost of the war, solicited surplus contributions from the allies. As a result the US Treasury actually made money off the war. In effect, the US military was a paid mercenary force Hessianized to the service of international capital interests. West Germany and Japan have both asked for refunds after witnessing US profiteering²¹⁰.

Both Saudi Arabia and Kuwait, who throughout the 1980s have seen their economic might in decline, also paid dearly for US military intervention. Even before the US began bombing Iraq on January 16, bills for US intervention being presented to the GCC were outstripping oil revenues. Despite the commonly perpetrated image of Saudi windfall oil profits flowing into Swiss bank accounts, debts actually continued to exceed petroleum revenues throughout the Gulf War. In Riyadh expenses exceeded oil revenues by \$10 billion. And despite the dramatic increase in Saudi production, at one point during the war the Saudis had to import jet fuel for allied planes, underscoring the lack of refining facilities in the kingdom²¹¹.

²⁰⁹Roberts, John. "Arms and Oil Resources Tie Two Nations Together", The Oil Daily. November 12, 1990. p.C-2.

²¹⁰National Public Radio. June 20, 1991. Morning Edition.

²¹¹Sadowski, Yahya. "Power, Poverty and Petrodollars: Arab Economies after the Gulf War", Middle East Report. May-June 1991. p.6.

The Saudis spent \$13.5 billion alone for the basic upkeep of US service men and women. They had to provide for 200,000 Kuwaiti refugees at a cost of \$3-4 billion. And they provided the brunt of \$9.5 billion in GCC aid to countries hurt most by the Gulf War, aid which the United States had pushed for²¹². Prince Abdullah Faisal bin Turki--Chairman of the Saudi Industrial Development Authority--has estimated the total war cost for the Saudis at over \$80 billion, much of which will find its way into the pockets of US contractors²¹³.

There were also costs less easily calculated. The day Iraq invaded Kuwait, confidence in Gulf investments was shattered. Saudi plans for a \$6 billion petrochemical complex at Jubail failed when potential foreign investors pulled out. Other major projects were also cancelled. The Saudi stock market crashed and 11% of bank deposits were withdrawn. Bahrain, the off-shore banking center in the Gulf lost \$13.7 billion in deposits due to the Gulf War. And the UAE saw withdrawals rise to 25% of liabilities²¹⁴.

The Saudi Arabian Monetary Agency, which already showed a \$9 billion account deficit in 1989 due to falling oil prices amidst the major oil industry expansion, is now borrowing another \$3.5

²¹²Sullivan, Alcanna & James Tanner. "Saudi Arabia Might Derail OPEC Limits", Wall Street Journal, March 11, 1991. p.A-16.

²¹³"Brady Talks Business with Saudi Arabia's King Fahd", Missoulian. (AP). April 21, 1991. p.C-3.

²¹⁴Sadowski, Yahya. "Power, Poverty and Petrodollars: Arab Economies after the Gulf War", Middle East Report. May-June 1991. p.7.

billion from international banks led by J.P. Morgan²¹⁵. SAMA has been in decline since the peak of the oil boom in 1981.

Kuwait has been forced to sell off \$10-15 billion of its overseas assets and may have to borrow an additional \$20 billion over the next five years for reconstruction costs. The rebuilding of Kuwait could cost up to \$100 billion, and most of that will, once again, end up in the coffers of US construction firms. Not to mention the initial 90 day reconstruction contract awarded to the US Army Corps of Engineers worth \$45 million²¹⁶. It may take 5-10 years to restore Kuwait's oil industry to pre-war production levels.

International bankers were happy to make loans to the Saudis and Kuwaitis, who collectively hold 351 billion barrels of oil as collateral²¹⁷. The loaning of money to the Saudis and Kuwaitis, who have traditionally been creditor nations to the US, represents a significant shift in the US trade balance vis-a-vis the two countries. It also puts the GCC countries under additional pressure to meet RICA crude demand and to meet it cheaply, so that these loans can be paid off without a loss of sovereignty, as occurred in Iraq prior to the war.

In March 1991, with the war winding down and OPEC urging

²¹⁵"Saudis Planning to Borrow \$3.5 Billion from Bankers", Wall Street Journal, February 14, 1991. p.A-16.

²¹⁶Bratton, Christine & Doug Henwood. "Saving Kuwait", Left Business Observer, February 28, 1991. #44. p.1.

²¹⁷Rossant, John. "Now, the Desert Kingdoms are Thirsty for Cash", Business Week, March 18, 1991. p.32.

production cuts, the Saudis rescinded a promise made during the war that when the war was over they would cut production by 15%. So OPEC moderated its proposal to a tiny seven million barrel/day combined decrease in production quotas and a \$21/barrel price floor²¹⁸. The Saudis not only derailed both of these proposals, they demanded a greater production share, citing expenses incurred during the pre-war expansion. Iran and Algeria accused Saudi Arabia of collaborating with the US²¹⁹. But with an oil surplus of between 225-235 million barrels, OPEC's "price hawks" are no match for the Saudis, whose production had already increased 18% in 1990²²⁰. By April of 1991, Saudi heavy crude was selling for \$11.84/barrel, less than before the Gulf War began²²¹.

Through the vehicle of full-scale military intervention, RICA has enhanced its position of power vis-a-vis OPEC and the rest of the developing world. By destabilizing the entire Gulf Region, RICA has paradoxically stabilized its access to Persian Gulf crude. The big winners within RICA were US-based multinationals, US financial institutions and the US Treasury. This occurred because it was the Hessianized US military which usurped power from its GCC clients, came to the rescue of RICA and vented enough weaponry to help

²¹⁸Tanner, James. "Saudi Arabia Rescinds Cuts in Oil Output", Wall Street Journal. January 22, 1991. p.A-2.

²¹⁹ Mangan Jr., David. "OPEC's Boussena Urges Cooperation, Scolds World Energy Trading Exchanges," The Oil Daily. November 30, 1990. p.1

²²⁰Tanner, James. "Saudi Arabia Rescinds Cuts in Oil Output", Wall Street Journal. January 22, 1991. p.A-2.

²²¹"Exxon, Mobil, Amoco, Conoco and Hess Report Whopping Earnings", National Petroleum News. June 1991. p.13.

correct its world balance.

Seizing Ghawar

Many Saudi opposition figures including Sheik Safar al-Halawi, an important Islamic leader, saw the initial US deployment of troops to Saudi Arabia as an attempt to control Gulf oil and regain leverage over Western Europe and Japan²²².

Historically there has been a serious proposal circulating throughout the US foreign policy establishment which provides for the direct seizure of the Saudi Arabian oil fields. One secret State Department document titled "Dhahran Option Four" calls for a US attack on the huge oilfield at Ghawar, which contains 40% of the world's reserves²²³.

The late Senator Henry Jackson (D-WA) had also written a prescription in 1975 which called for the support of the Shah of Iran should it become necessary to invade Saudi Arabia. The right-wing journal Commentary had, also in 1975, proposed seizing oil fields in Kuwait and Dubai, pumping them dry, then giving them back²²⁴. And Henry Kissinger, who still carries a great deal of weight in foreign policy decision-making, suggested seizing the Saudi oilfields on numerous occasions.

²²²Ahmad, Eqbal. "Nightmare Victory", Mother Jones, March/April 1991. p.7.

²²³Shoenman, Ralph. Iraq and Kuwait: A History Suppressed. Veritas Press. Santa Barbara, CA. 1990. p.35.

²²⁴Doran, Charles. Myth, Oil and Politics: Introduction to the Political Economy of Petroleum. The Free Press. New York. 1977. p.31.

Former US Ambassador to Saudi Arabia, James Akins, has recently suggested that it is the victory of the more hard-line Kissinger Doctrine over the containment policy of Brzezinski and the Trilateralists which is being played out through an occupation of Saudi Arabia. If the Saudis refuse to continue pumping cheap oil for Western consumption, US troops can simply seize control of Ghawar and Ras Tanura.

Indications are that US troops will remain in the Middle East for a long time to come. Secretary of Defense Dick Cheney has indicated that the Navy will provide the most visible and largest contingent of these troops, patrolling the Persian Gulf in search of unfriendlies.

But a direct invasion of the Saudi oilfields will not be necessary for now. The Saudis may pay for part of the war costs by providing free oil to the US Strategic Petroleum Reserve²²⁵. And with Saudi dominance of OPEC reasserted, cheap oil will continue to flow to Western multinationals, enabling the Saudis to pay off their creditors. Currently Saudi Arabia is supplying over one-third of OPEC-produced oil to the US. Before the war it supplied less than one-fourth²²⁶.

It is Iraq which may be forced to sell its reserves to Western multinationals to generate foreign currency. Southern Iraq, which contains the Rumaila reserves, is one of the richest oil regions on

²²⁵Rossant, John. "Now, the Desert Kingdoms are Thirsty for Cash", Business Week. March 18, 1991. p.32.

²²⁶Wald, Matthew. "Gulf Victory: An Energy Defeat?", New York Times. June 18, 1991. p.C-1.

earth, next to Ghawar. Neither Iraq or Kuwait is yet exporting oil and Iraqi crude remains under a UN Boycott, causing them to lose \$1.3 billion/month in oil revenues²²⁷. The US now occupies 500 of the 800 wells in oil-rich Southern Iraq.

In another possible scenario, pre-war Iraq could be partitioned into three separate countries by RICA, with the Kurds getting the northern region around Kirkuk, where the oil fields have been nearly exhausted; the Sunni minority controlling Baghdad and central Iraq; and either the Shi'ites (if they are amenable to allowing the major oil companies access to the vast Rumaila reserve) or the Kuwaitis establishing a separate rule in Southern Iraq, where the majority of the oil lies. However the new map of the region is drawn Iraq, now decimated into a pre-industrial state, will never be the same. Its efforts to build a socialist economy have been subverted and its oil resource is now being held hostage by RICA.

The Carrot and the Big Stick

Another repercussion of the Gulf War was that it gave RICA the opportunity to pinpoint countries and groups in the region who espouse to radical nationalist doctrines, by forcing all countries to effectively choose sides. Those who chose to back the US mission against Iraq are now being rewarded financially and diplomatically. Those who sympathized with Iraq are being isolated

²²⁷Sadowski, Yahya. "Power, Poverty and Petrodollars: Arab Economies after the Gulf War", Middle East Report, May-June 1991. p.4-10.

and punished.

At the outset of the Gulf Crisis, Egypt owed foreign creditors \$35 billion. The inclusion of Egyptian forces in the "coalition" was essential to regional stability from the State Department point of view. When President Hosni Mubarek consented to the use of Egyptian troops, the US announced plans to forgive \$6.7 billion in Egyptian military debts. The Saudis and Kuwaiti announced a similar program through which they would forgive another \$7 billion. Both agreements were arrived at through the Paris Club²²⁸.

Last September Secretary of State James Baker met with King Fahd and persuaded him to contribute \$3-4 billion to a US Treasury fund to aid "good" countries such as Turkey after the war. In April, US Treasury Secretary Nicholas Brady again met with the King Fahd, the United Arab Emirates and Egypt to discuss post-war "financial arrangements." As a result of these meetings, the Gulf Cooperation Council recently approved a \$5 billion aid package to Egypt²²⁹.

Syria, which also sent troops to fight Saddam, has been treated in much the same way. In February the country received a large chunk of aid from the Kuwaitis and at least \$1 billion from the Saudis. Syria was also allowed to seize territory in Northern Lebanon during the Gulf War, crushing Michele Aoun's Christian militia in the process. Morocco, which also sent troops to the Gulf

²²⁸Sadowski, Yahya. "Power, Poverty and Petrodollars: Arab Economies after the Gulf War", Middle East Report, May-June 1991. p.7.

²²⁹"Arabs, Israelis on Speaking Terms", Missoulian. (AP). March 12, 1991. p.1.

on the US side, has been rewarded financially, too²³⁰.

By contrast, Mahgreb nations of North Africa (Algeria, Mauritania, Sudan, Tunisia and Libya) all vehemently denounced the US bombing of Iraq. Yemen and Jordan did the same. In October of 1990, Saudi Arabia banned oil sales to Mauritania, Yemen, Sudan and Jordan. Kuwait and Saudi Arabia have both cancelled \$100 million/year in aid which they normally give the Palestine Liberation Organization

The day after Yemen stood alone in the UN Security Council in opposing the use of force by the "allied coalition" against Iraq, the US cancelled a \$42 million aid package to Yemen. The Saudis also punished Yemen by requiring Yemeni workers to find Saudi sponsors or face expulsion. Yemeni, Palestinian and Jordanian workers have been replaced throughout the GCC by Egyptians²³¹.

Jordan received \$173 million in aid from both the West Germans and the Japanese a month before the war began in an attempt to win King Hussein's support for the US assault on Baghdad. But when King Hussein denounced the US air bombardment of that city, largely because of the militancy of the Jordanian population towards the US aggression, Jordan lost \$200 million in Saudi aid. This assistance had normally provided 15% of Amman's

²³⁰Sadowski, Yahya. "Power, Poverty and Petrodollars: Arab Economies after the Gulf War", Middle East Report, May-June 1991. p.5.

²³¹Sadowski, Yahya. "Power, Poverty and Petrodollars: Arab Economies after the Gulf War", Middle East Report, May-June 1991. p.10.

budget²³². On June 19th, 1991 the US House also voted to cancel a \$37 million aid package to Jordan²³³. Jordan has also been Iraq's premier trade partner, thus suffering a third economic blow as a result of the Gulf War.

RICA--led by the Hessianized US military--is also using the war's momentum to consolidate its position in the Middle East. Aside from the obvious effect of solidifying both the US/Saudi military alliance and US dependence on GCC oil, there have been other events in the region which appear to be connected to the swift US military victory over Iraq.

In Ethiopia, the Marxist government of Mengitsu Haile Mariam, which had also denounced US aggression against Iraq, has been overthrown by a coalition of Tigrean, Eritrean and Oromo rebels. But it was the Tigrean minority who seized Addis Ababa after the US reportedly gave them permission to do so, and who were later called in to guard the US Embassy in Addis Abbaba, where thousands of Ethiopians protested what they called US manipulation of the political process. Scores of protesters were gunned down outside the Embassy. Though the Tigreans profess Marxism as their ideology, when they seized control of the Tigray provincial capital of Makelle in 1985 at the height of Ethiopia's famine, their first political move was to denationalize housing and loosen market

²³²"Saudis Planning to Borrow \$3.5 Billion from Bankers", Wall Street Journal. February 14, 1991. p.A-16.

²³³National Public Radio. June 20, 1991. Morning Edition.

controls in the region²³⁴.

It appears that the US is supporting the Tigrean minority in favor of the more stubbornly anti-imperialist Eritrean rebels in an attempt to install a more pro-Western government in Ethiopia. At a recent meeting in London organized by the US, the Tigreans announced that the question of an independent Eritrea would be put off for two years. The Eritreans have responded by stepping up guerilla activities in the North²³⁵.

In Algeria, where Oil Minister and OPEC President Sadek Boussena has accused the US and world energy futures traders of manipulating oil prices during the war, Muslim fundamentalists have recently begun attacking police units, resulting in a declaration of a state of emergency²³⁶. Boussena, who the Saudis have tried to force out as OPEC President, has radicalized Algeria, a country which led North African nations in denouncing the US bombing of Iraq. Though evidence of direct US involvement in supporting the Islamic fundamentalists is obviously unattainable at this time, the possibility is certainly worthy of further investigation.

If RICA was the biggest winner of the Gulf War, then not surprisingly, the Third World was clearly the biggest loser. Jordan, Pakistan, Sudan, Bangladesh, India, the Philippines and Sri Lanka suffered the most due to the loss of remittances by workers in

²³⁴Smith, Gayle. "Birth Pains of a New Ethiopia", The Nation, July 1, 1991. p.1.

²³⁵National Public Radio. June 18, 1991. Evening Edition.

²³⁶Mangan Jr., David. "OPEC's Boussena Urges Cooperation, Scolds World Energy Trading Exchanges", The Oil Daily, November 30, 1990. p.1.

Kuwait, combined with a \$30 billion increase in 1990 oil spending. In the Gulf Region, where the GCC has normally provided at least some regional aid, things look equally grim.

Egypt, which cooperated with the US-led war effort, still has a lower literacy rate than Cambodia, Bolivia and Zambia. Conditions in Oman, where only 30% of adults are literate, while 28% of GNP goes to military spending, are dismal. In Saudi Arabia 23% of GNP goes towards military programs, while 40% of adults are illiterate and the infant mortality rate is 108/1000²³⁷. The average Saudi standard of living remains below the UN Human Development Index (HDI) for Nicaragua. And using the same HDI method of analysis, no GCC country—including Kuwait and the UAE— rates even as high as Mexico²³⁸.

The elite ruling families of the GCC serve as useful, if disposable clients for RICA in imposing the regional resource security system in the Gulf region. In return, they are allowed to live extravagant lifestyles and are made a part of RICA accumulation schemes. But the citizenry of the Gulf States who are not connected to the royal families (and there are many who are) do not share proportionally in the wealth which oil brings to their countries. But then this internal disparity of wealth exists in any such national or regional resource security state/system. For that matter it occurs in the developed world as well. Increasingly

²³⁷"Oil Company is Heart of Confrontation", Los Angeles Times, December 16, 1990. p.A-5.

²³⁸Sadowski, Yahya. "Power, Poverty and Petrodollars: Arab Economies after the Gulf War", Middle East Report, May-June 1991. p.8.

the world is divided along class lines rather than national boundaries. And increasingly those class lines are widening, regardless of the country. As an analytical framework, RICA provides a way to combine perspectives of class, nationalism and corporate power in a way in which more traditional analytical frameworks do not.

Palestinian Slaughter

In February of 1991, Dennis Bernstein of Pacifica News Service obtained a US military planning document which was mistakenly declassified by the Department of Defense. The document, which was compiled by the US Army's 352nd Civil Affairs Command in Riyadh before the air war started, details plans for martial law in Kuwait following the expulsion of Iraqi forces.

The document calls for direct US military supervision over Kuwait for three months, followed by a one year period of martial law, which the US military would help facilitate. This would include the construction of prison camps, the development of tribunals chaired by Kuwaiti Security and severe limitations on the press.

A more startling section of the document talks about how the Palestinian-controlled domestic Kuwaiti banking industry would undergo "major restructuring by Kuwaiti officials," putting the banks squarely in the hands of the ruling al-Sabah family. Recent statements by a member of the al-Sabah family indicate that Kuwait will loosen its foreign

investment laws and become a financial center of the Gulf²³⁹.

The establishment of martial law in Kuwait has given the regime of international capital accumulation the perfect opportunity to rid itself of "the Palestinian problem." Saddam's invasion of Kuwait allowed the US to drag out and identify Palestinian radicals who supported Hussein, so that they could later be targeted for torture and extermination in Kuwait.

Journalist Michael Dunn observed a wall in Kuwait City in March of 1991 which read, "Amman 1977, Damascus 1982, Kuwait City 1991," referring to two previous slaughters of Palestinians and one currently under way²⁴⁰. According to Amnesty International, 50 Palestinians disappeared each day in the several months following the re-capture of Kuwait. And both Amnesty and Middle East Watch have criticized the Kuwaiti tribunals which have sentenced several "suspected collaborators" to hanging without even requiring the appearance of witnesses. There are no possible appeals and Crown Prince Saad Abdullah al-Sabah approves all sentences²⁴¹.

On June 15th, the Kuwaiti martial law court convicted 16 people— mostly Palestinians— who had worked for the opposition newspaper Al-Nida, which the Kuwaitis now claim was an Iraqi-run newspaper. Six were sentenced to hanging²⁴². Eight more people

²³⁹Rossant, John. "Now, the Desert Kingdoms are Thirsty for Cash", Business Week, March 18, 1991. p.32.

²⁴⁰Dunn, Michael. "The Liberation of Kuwait", The Industrial Worker, June 1991. p.5.

²⁴¹"Kuwaiti Court Orders 7 Hangings", Missoulian, (AP) June 16, 1991. p.A-3.

²⁴²"Kuwaiti Court Orders 7 Hangings", Missoulian, (AP) June 16, 1991. p.A-3.

received death sentences on June 18th and another eight got the same sentence on the 20th, bringing the total death sentences thus far handed down by the tribunals to 29^{***}. Torture and death squads have been commonplace. Published reports claim that a son and a nephew of the Crown Prince were involved in death squad activity.

Other reporters have interviewed US officials who have said they knew torture was prevalent in Kuwait, but had no "hard evidence." Journalist Robert Fisk, who came across a gang of Kuwaitis beating a Palestinian youth, was told by a US Special Forces soldier who was observing the beating, "You have a big mouth. This is martial law, boy! Fuck off!" On another occasion a US GI was seen in a building where torture was taking place^{***}.

Kuwaiti opposition groups have demanded elections, but the emir has postponed them until at least 1992. A minor reshuffling of the cabinet took place. But while four al-Sabah family members were ousted, two more were ushered in. And no opposition leaders were appointed.

The slaughter of Palestinians is not confined to Kuwait City. During the war the Israelis made a major push into Palestinian-controlled South Lebanon and cracked down on Palestinian radicals in the West Bank and Gaza. In early June, one day after Syria signed a treaty of cooperation with Lebanon, the Israeli Air Force

^{***}National Public Radio. June 20, 1991. Morning Edition.

^{***}Dunn, Michael. "The Liberation of Kuwait", The Industrial Worker. June 1991. p.5.

carpet bombed Palestinian positions in Southern Lebanon, including the headquarters of the Popular Front for the Liberation of Palestine²⁴⁵. Since then the Lebanese government has asked the 400,000 Palestinians living near Sidon to leave. And Lebanese troops will be sent into the area.

But in their quest to destroy the Palestinians and the Arab nationalism which the PLO embodies, RICA has deterred, not enhanced, the long-term stability of the Gulf region. While RICA may have assured itself continued access to cheap Persian Gulf oil in the short run, the US bombing of Baghdad must be seen as a desperate attempt by RICA to maintain control over the strategic resource of oil, which becomes increasingly necessary in propping up a flailing global capitalist economy. The GCC, though it had served as a faithful regional resource security system for RICA, was unable to repel Saddam's Army from Kuwait. And despite proclamations by President Bush of an "allied coalition," there can be little doubt that it was US soldiers who were once again required to come to the rescue of RICA.

CONCLUSION

In summation the war revealed the distensibility of the GCC to RICA, as well as a desire by the Northern elite of RICA to retain leverage over the GCC elite, who despite their membership in and usefulness to RICA will still not be allowed to gain significant

²⁴⁵ "Kurds' Accord Sets Timetable for Autonomy," Missoulian. (AP). June 24, 1991. p.A-3.

political power vis-a-vis their Northern counterparts. The formation of the Gulf Cooperation Council had clearly represented a crisis caused by an insecurity inherent in the neo-colonial extraction of Third World resources by the regime of international capital accumulation. The blow which the Iranian Revolution dealt to RICA cannot be overstated. It was this "wake-up call", which jarred RICA into action by forming a more comprehensive and manageable security system in the Gulf through the GCC. By understanding the establishment of the GCC regional resource security system as a forced response to the crisis of an infidel resource security state (Iran), one can see that RICA's accumulation strategy for imperialist capitalist exploitation of resources is not without flaws. But one can also see the extreme flexibility which RICA has been able to maintain in dealing with potential clients, exchanging one for another as the regional political climate and global capital climate deems necessary. When the situation warrants drastic measures, it is the United States military which serves as mercenary-for-hire to protect RICA interests. In this capacity the US has clearly become a military-industrial state, maximizing its corporate profit during times of war. As a result the US remains the most powerful nation in the world. This flexibility, evident in the financial devastation of the GCC during the Gulf War, makes RICA a formidable opponent for local nationalist movements who aspire to gain control over their resources and thus political autonomy from RICA. Without a globally-interconnected liberation movement to match RICA's

globally-interconnected accumulation apparatus, the likelihood of long-term autonomous zones remains bleak, but not impossible. While Eastern Europe, the Soviet Union, Vietnam and Nicaragua have re-opened their doors to the capitalists; a host of African countries including Chad, Namibia, Sudan, Somalia, Liberia and Mauritania are slamming their doors shut to RICA exploitation of resources. African nations were particularly incensed by the Gulf war, which they saw as racist and imperialist. As a result Pan-African Unity appears to be on the rise once again. India, too, has responded to the Gulf War with outspoken disdain for RICA. The FMLN guerrillas remain poised to take the capital of San Salvador any day in the resource security state of El Salvador. In the Philippines, another long-time resource security state, the New People's Army (NPA) continues to expand its ranks. Riots continue to shake both South Korea and South Africa, two very significant resource security states for RICA. Pockets of nationalist resistance movements occur in all corners of the globe.

Amidst the proclamations of a New World Order, there are continued cries for justice. And despite the cunning and complex ways of RICA, these cries will continue until capitalist imperialism assumes its proper place in the annals of bad history.

Appendix 1

The National Petroleum News predicted in its May, 1991 issue that US dependence on imported oil would increase another 32% by 2010. The United States, which consumes 26% of the world's oil and has only 5% of the world's population, already imported 2.5 trillion barrels of oil in 1989, making the US 45% import-dependent already²⁰⁰. The reason for the US dependency on imported oil is simple. From 1956-1974 profitability of foreign oil doubled, while profitability of domestic crude stayed the same²⁰¹.

The majors have the most to gain from perpetuating US dependence on GCC oil since they are vertically integrated and well-connected internationally. When and if production does switch back to the US, the majors will be ready. The nine largest oil companies still control 80% of domestic reserves²⁰².

For years Exxon had tried to delay the Alaska Pipeline, because they could get cheaper oil from Saudi Arabia. ARCO, on the other hand, wanted to push the pipeline through quickly. This was primarily because of its stake in the Prudhoe Bay reserves and the

²⁰⁰Witt, Matt. "Mexican Labor: The Old, the New and the Democratic", Multinational Monitor, December 1990. p.32.

²⁰¹Tokar, Brian. "Energy Blues and Oil", Z Magazine, January 1991. p.22.

Alaskan pipeline. But it was also because as an independent company ARCO does not have the same access to Mideast crude as vertically-integrated Exxon does²⁵³.

Appendix II

Royal Dutch/Shell has interlocking directorates with Chase Manhattan Bank, US Steel, Caterpillar, Morgan Guaranty Trust, Upjohn Co. and Times Newspapers among others.

Exxon, which as of 1969 ran 70 refineries in 37 countries, enjoys interlocks with Chase Manhattan, Chemical Bank, Morgan Guaranty, NW Bell, Prudential, Harvard and the Royal Bank of Canada²⁵⁴.

1990 10K Filings by the majors are revealing. Five descendants of the Standard Trust- Exxon, Mobil, Amoco, Chevron & Atlantic Richfield- are predominantly controlled by the same three banks: Wells Fargo Bank NA (4.2% of Amoco, 4.2% of ARCO, 5.3% of Exxon, 2.4% of Chevron & 2.9% of Mobil); Banker's Trust New York (3.5% Amoco, 2.7% ARCO, 4.2% Exxon, 2.5% Mobil); and Mellon Bank Corporation (2.5% Amoco, 2.5% ARCO, 3.7% Exxon, 3.4% Mobil).

The Rockefeller family still holds 2% of Exxon, 2% of Chevron and 1.75% of Mobil. And in 1973 the Mellon family still controlled 16%

²⁵³Doran, Charles. Myth, Oil and Politics: Introduction to the Political Economy of Petroleum. The Free Press. New York. 1977. p.113.

²⁵⁴Ridgeway, James. The Last Play: The Struggle to Monopolize the World's Energy Resources. E.P. Dutton & Co. New York. 1973. p.279.

of Gulf (now Chevron)⁸⁵⁶.

Carl Icahn now owns 17.6% of Texaco, while Bell Resources, an Australian conglomerate controls another 22%. British Petroleum is 51% controlled by banks. J.P. Morgan owns 7.09%. The Kuwaiti government, which at one time held as much as 22% of BP, now owns 9.85%. At BP the top .1% of stockholders control 76.6% of the company⁸⁵⁶.

Royal Dutch/Shell does not file a 10K to the SEC since it is 60% owned by Royal Dutch Petroleum (Neth.) and 40% owned by Shell Trading & Transportation (U.K.). The company has few directors and only 14,000 stockholders. Shell refused to provide a list of their top 30 stockholders to the late Sen. Lee Metcalf, who undertook a major investigation into monopolistic practices by multinational corporations in 1972⁸⁵⁷.

The company has traditionally been controlled by capital from the Rothschild, Oppenheimer and Samuel families and has a close working relationship with the world's largest mining company- Rio Tinto Zinc (U.K.) Currently Queen Beatrix of the Netherlands and Queen Elizabeth (U.K.) hold majority stocks⁸⁵⁸. RD/Shell is the mostly tightly held of the oil giants.

Deregulation and an increase in off-shore banking make it

⁸⁵⁶Sampson, Anthony. The Seven Sisters: The Great Oil Companies and the World They Made. Viking Press. New York. 1975. p.139.

⁸⁵⁸British Petroleum Annual Report to Shareholders. 1990. p.32.

⁸⁵⁷Mintz, Morton & Jerry S. Cohen. Power Inc. Viking Press. New York. 1976. p.126.

very difficult to trace ultimate ownership of multinationals. In seeking names of stockholders in the 25 largest bank holding companies (which were set up in the late 60's to allow banks to venture into economic forays outside of finance), this writer filed three FOIA's with different bank regulatory agencies. Thus far there has been no response.

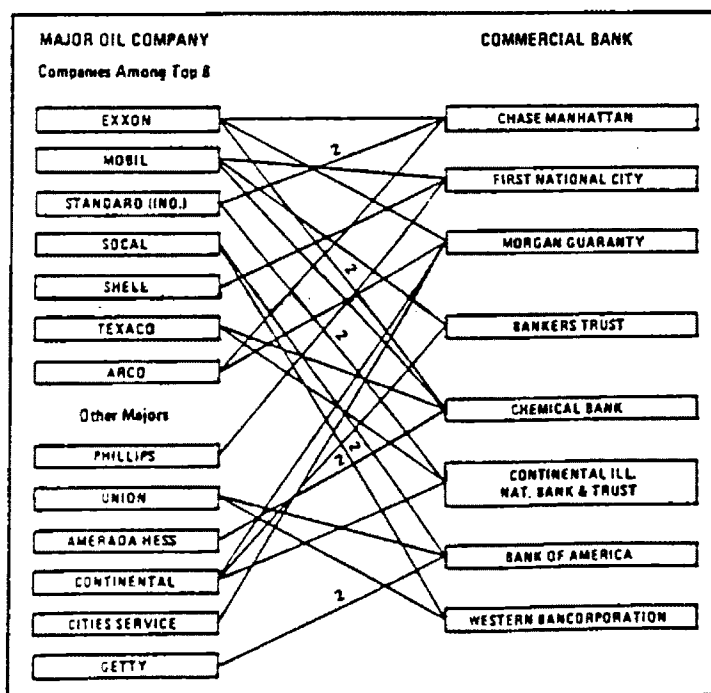
Table 13 / Table 14
Holdings of the Rockefeller Family In Equity Securities of
Four "Standard" Oil Companies, 1938
(percent of total stock outstanding)

Company	Indi- viduals	Trusts & Estates	Founda- tions	Rockefeller- Dominated Corps.	Total
Exxon	6.45%	2.24%	4.82%	6.69% *	20.20%
Mobil	8.64	7.70			16.34
Standard Oil (Ind.)	2.44	4.39	4.53		11.36
SoCal	7.37	4.49	.46		12.32

* Through Standard Oil Co. (Ind.).

Source: 76th Cong., 3rd Sess., Temporary National Economic Committee, Mono-
graph 29, *The Distribution of Ownership in the 200 Largest Nonfinancial Corpora-
tions*, 1940, p. 127.

**Indirect Interlocking Directorates Among Major Oil Companies
Through Commercial Banks, 1972**



Source: Compiled from Stanley H. Rutenber and Associates, *The American Oil Industry—A Failure of Antitrust Policy*, Washington, D.C., 1974, pp. 83, 147-60.

Appendix V

Royal Dutch/Shell, for example, has long term contracts with the Indonesian government through its Billiton subsidiary for tin. The company is also active in tin mining in Brazil. Atlantic Richfield (ARCO) is one of the top six producers of bauxite, with operations primarily in the Caribbean²⁰⁹.

As of 1979 Chevron controlled 20.6% of the huge AMAX mining group, which has extensive holdings in South Africa and Australia, and is also a leading producer of tungsten in the US²¹⁰.

Mobil, following its purchase of Superior Oil Co., probably has the most extensive mining interests of the oil companies. Through Superior it controls Falconbridge Mining, one of Canada's largest platinum and nickel producers, as well as Hecla Mining, one of the top ten copper producers in the world and a significant player in the silver industry. Mobil is also one of the top 5 producers of phosphates in the world. Phosphates are necessary in the processing of uranium. Substantial deposits exist in Morocco and central Florida²¹¹. British Petroleum controls Purina Mills, one of the giants in the food industry. Conversely, Cargill, the world's largest grain trader was the #2 importer of distillate fuels in

²⁰⁹Ridgeway, James. Who Owns the Earth. MacMillan Publishing. New York. 1980. p.125.

²¹⁰Ridgeway, James. Who Owns the Earth. MacMillan Publishing. New York. 1980. p.71.

²¹¹Ridgeway, James. Who Owns the Earth. MacMillan Publishing. New York. 1980. p.72.

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